Government of Saskatchewan

Annual Report 2004-2005

Saskatchewan Agriculture, Food and Rural Revitalization

Saskatchewan Centennial 2005

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Letters of Transmittal

July 2005
Her Honour
The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of Saskatchewan

Your Honour:

As Minister of Agriculture and Food and Minister of Rural Revitalization we are pleased to submit the annual report for Saskatchewan Agriculture, Food and Rural Revitalization for the twelve months ending March 31, 2005.

Respectfully submitted,

The Honourable Mark Wartman
Minister of Agriculture and Food

The Honourable Clay Serby
Deputy Premier
Minister of Rural Revitalization

July 2005

The Honourable Mark Wartman
Minister of Agriculture and Food
The Honourable Clay Serby
Deputy Premier, Minister of Rural Revitalization

Sirs:

I wish to present to you the annual report of Saskatchewan Agriculture, Food and Rural Revitalization for the fiscal year ending March 31, 2005.

Respectfully submitted,

Doug Matthies
Deputy Minister

Saskatchewan's Centennial

Early 1900s team in show harness with grain wagon.

When the Government of Saskatchewan was formed in September 1905, the Minister of Agriculture was one of three Cabinet Ministers (also including the Minister of Education and the Attorney General) in the original Cabinet.

The Department of Agriculture, Food and Rural Revitalization is proud to be celebrating its 100th year along with the province, and dedicates this Annual Report to all of our staff over the last 100 years who have served the province and our industry so faithfully.

Saskatchewan Centennial 2005

Introduction

The 2004-05 Annual Report of Saskatchewan Agriculture, Food and Rural Revitalization (SAFRR) describes departmental results for the key actions and performance measures that were published in the 2004-05 Performance Plan. The report also describes results associated with the key actions included in the Budget and Performance Plan Summary for 2004-05, the government-wide plan released with the 2004-05 Budget.

The format and content enhancements to this year's annual report reflect the continued implementation of the Government's Accountability Framework. The 2004-05 Annual Report provides further information about, and analysis of the performance results obtained, including comparisons to historical trends and assessments of how they contribute to the longer-term outcomes the department seeks to achieve. This reporting of actual year-end results – both financial and performance – as compared to the plan released a year earlier, increases the department's accountability to the public.

The department's 2004-05 Performance Plan was released with the provincial budget on March 31, 2004. It may be found at www.agr.gov.sk.ca/docs/about_us/department_info/agriculture0405plan.asp.

The government-wide plan Budget and Performance Plan Summary for 2004-05 is available at www.gov.sk.ca/finance/budget/budget04/budgetsummary.pdf.

The department's 2005-06 Performance Plan was released with the provincial budget on March 23, 2005 and can be obtained at www.agr.gov.sk.ca/docs/about_us/department_info/agriculture0506plan.pdf.

Who We Are

The mandate of the department is to foster a commercially viable, self-sufficient, and sustainable agriculture and food sector, and healthy and diverse rural communities. Working with individuals, businesses, communities, and governments, the department assists farmers and ranchers, encourages higher value production and processing, and promotes sustainable economic and social development in rural Saskatchewan.

Through these efforts, the department seeks to achieve its vision of "a thriving agricultural sector and dynamic rural communities that contribute to an enhanced quality of life for all Saskatchewan residents."

In pursuit of this vision and to deliver on its mandate, SAFRR provides programs, technical support and specialist services to encourage the expansion of the livestock sector, the diversification to higher value crops, and additional processing of agricultural production. SAFRR is working to ensure livestock projects are developed in an environmentally sustainable manner, that disease surveillance occurs and that farm quality assurance programs are developed to ensure the production of safe food.

The recently established Agriculture Knowledge Centre (AKC) in Moose Jaw and the nine regional Agriculture Business Centres (ABCs), which are strategically located throughout the province, are key components of the department's restructured delivery model, which reflects the emerging trends in information and technology transfer to farmers. The AKC has enabled the department to be less reliant on local offices for information and technology transfer, while maintaining high-quality service delivery. It is linked with other provincial and regional specialists throughout the department. The ABCs engage in three interlocking functions dealing with building capacity, supporting agri-business development and building technical capacity for competitive value chains.

SAFRR administers approximately 7.3 million acres of Crown land that is leased to farmers and ranchers or operated as community pastures, which includes:

- 5.91 million acres of leased land classified as agricultural (cultivated, forage and native)
- 1.43 million other acres composed of:
  - 30,125 acres of non-agricultural land such as oil and gas leases, quarry, public and commercial land;
  - 75,587 acres of land under agreement for sale;
  - 804,479 acres of provincial pasture land;
  - 473,098 acres of Prairie Farm Rehabilitation Administration (PFRA) land; and
  - 49,909 acres of vacant land.

The department collects revenue of approximately $30 million from Crown land (excluding revenues received under the Pastures Revolving Fund). This total includes rent on cultivation, hay and grazing leases, net proceeds of Crown land sales, petroleum and gas leases, and other land revenues and administration fees.

SAFRR regards research and development as essential components of our strategy to help achieve the long-term viability and growth of the agricultural production and processing industries. The department provides significant third-party funding for research and development. A significant portion of these resources is provided to various faculties and centres of the University of Saskatchewan or to research institutions located near the University. This wide ranging group of research, animal heath and developmental institutions includes Ag-West Bio Inc., the Crop Development Centre of the University of Saskatchewan, the Prairie Agricultural Machinery Institute, the Prairie Diagnostics Centre, the Prairie Swine Centre, various departments of the University of Saskatchewan, and the Vaccine and Infectious Diseases Organization. These institutions play an essential role in delivering on the department's mandate to foster a commercially viable, self-sufficient and sustainable agriculture and food sector and in the encouragement of higher value production and processing. As a condition of the research and development contracts and agreements, these institutions provide accountability to SAFRR for the funding received.

The department funds ongoing risk management programs to assist producers in offsetting risks in crop production, stabilize income and deal with economic disasters. Production insurance on a wide range of annual crops and crop classes and on forages, as well as weather based insurance products, is provided through the Saskatchewan Crop Insurance Corporation (SCIC). Income stabilization and disaster assistance is provided through the Canadian Agricultural Income Stabilization (CAIS) program. This program is jointly funded by the federal and provincial governments and is delivered in Saskatchewan by the Government of Canada. Although program guidelines are subject to federal/provincial/territorial agreement, the federal administration determines specific program delivery parameters and administrative processes.

Saskatchewan signed the Agricultural Policy Framework (APF) Agreement with the federal government and entered into the APF Implementation Agreement during the 2003 calendar year. These agreements establish funding commitments and programming in the areas of business risk management, food safety and food quality, science and innovation, and environment and renewal that the department and/or the federal government will deliver to Saskatchewan producers during the period ending March 31, 2008. The department expects that it will invest at least $1 billion in the agricultural sector over this period in order to implement the APF.

The Rural Issues Office of SAFRR is focused on renewing the rural economy. This requires an effective combination of economic policy, public investment and attention to the health and social and economic well being of rural residents. Achieving these objectives requires effective partnerships between and within rural communities, industry and government. During 2004-05, the Rural Issues Office:

- supported the implementation of the Action Committee on the Rural Economy's (ACRE) recommendations across government;
- oversaw the implementation of "A Strategy for Rural Saskatchewan: Responding to ACRE";
- participated in the development of the federal/provincial/territorial National Rural Framework; and
- established working relationships with stakeholders to create additional opportunities for rural Saskatchewan.

A well informed and highly skilled SAFRR staff is vital to achieving SAFRR's strategic goals. A number of programs and policies have been implemented recognizing SAFRR's need to recruit and retain skilled individuals. This objective is pursued in conjunction with the goals established in the department's Workplace Diversity Plan.

SAFRR provides timely, relevant and valuable information to producers and other stakeholders. Information is disseminated through numerous publications and fact sheets, television and radio programs and interviews and newspaper articles. Key publications include: Agricultural Statistics, a comprehensive historical record of Saskatchewan agricultural statistics; Crop Report, a weekly summary of Saskatchewan crop conditions and precipitation during April-November; StatFacts, periodic statistical bulletins on a variety of topics including crops, livestock and farm finance; Market Trends, a weekly report of prices and marketings for grain, hogs and cattle; Cattle Marketings, a monthly and annual summary of Saskatchewan cattle marketed and prices; and Agricultural Statistics Fact Sheets, a summary of provincial statistics produced in 10 languages.

SAFRR also launched a newly designed Agriview newsletter delivered directly to 50,000 farm and rural households around the province every month. In conjunction with the new publication, the department is undertaking a major review and redesign of the SAFRR website, with the goal of providing the information producers need to achieve their business plans and goals. SAFRR also has a presence at major trade shows, including the Western Canadian Crop Production Show, Western Canada Farm Progress Show, Canadian Western Agribition and many local events throughout the province. Additionally, the Ministers, Deputy Minister and department officials and staff undertake numerous speaking engagements and presentations at industry events. These activities foster mutual awareness of issues and concerns and help ensure the policies, programs, and services of the department are highlighted and understood.

In addition to activities led by the department, SAFRR is a participant in the provincial Safe Drinking Water Strategy, which is led by Saskatchewan Environment. Our role in water management centres on the relationship between agricultural activities and water resources. SAFRR protects drinking water source supplies through research and technology evaluation, and regulatory and technology transfer programs.

Stakeholder Consultations

SAFRR is keenly aware that our agricultural production and processing industries operate in a dynamic environment that requires evolving and adapting to the challenges and opportunities of a rapidly changing world. As such, our strategic planning must take into account the current state of the industry, the longer-term trends and emerging opportunities. Part of the process of understanding the agricultural environment includes continuous dialogue with producers and producer organizations. The following organizations and groups have a primary interest in working with the department to improve the agricultural sector and the rural economy.

Farm Support Review Committee (FSRC)

The FSRC was reappointed to another two year term in January of 2005. The FSRC comprises 19 members appointed by the Minister of Agriculture and Food to provide feedback and input to the government on safety net/business risk management issues. Membership on the FSRC consists of eight representatives of farm organizations and 11 members-at-large who are appointed from across the province to maintain gender and regional balance on the committee.

Bovine Spongiform Encephalopathy (BSE) Industry Advisory Committee

The 14 member BSE Industry Advisory Committee was established by the Minister of Agriculture, Food and Rural Revitalization shortly after the announcement of the first case of BSE in Alberta. Cattle producers, marketers, slaughter facility operations and the financial sector are represented on the committee. Its primary objectives are: to provide the Minister with the cattle industry's viewpoint on how the BSE crisis is affecting the various sectors of the cattle industry; provide the Minister with the cattle industry's views/ opinions on recommended options to mitigate the negative impact this crisis is having on the various sectors of the industry; and to be a vehicle for communication and exchange of information.

The Livestock Loan Guarantee Program Producer Advisory Committee

This 11 member Producer Advisory Committee is made up of representatives from the cattle industry (regionally), the bison and sheep industries (provincially) and the lending sector. In addition to recommending program changes to government, the Committee ensures that producers' and lenders' needs and concerns are brought forward in discussion with government on program policy and general operating guidelines.

Commodity Development Boards/Commissions

Producer organizations, including the Saskatchewan Pulse Growers, Saskatchewan Canola Development Commission, Saskatchewan Beekeepers Association and the Saskatchewan Herb and Spice Association are consulted regarding program development and delivery. They also provide critical support for programming and service delivery on specific problems.

Agriculture Development Fund Board

The 14 member board assists in determining objectives for the fund, making recommendations for the development and revision of research and development programs, reviewing project and program proposals and recommending funding twice a year.

Saskatchewan Agri-Environmental Advisory Council

This 15-member Council is composed of experienced and respected producers and was established in 2004 to guide APF environmental programming design and delivery. It met four times during the year and endorsed the governance structure, main program elements and the delivery agent for individual Environmental Farm Plans. The Council may also be asked to advise on agri-environmental issues outside of APF programming.

The Action Committee on the Rural Economy (ACRE)

ACRE was formed in September 2000 by the Government of Saskatchewan to act as a catalyst for innovative ideas that address the challenges and opportunities facing rural Saskatchewan. Since its inception, this industry and citizen stakeholder committee has gathered information to develop a comprehensive long-term strategy for positive change and economic growth in our rural areas.

ACRE has had a significant impact on the rural economy and continues to play an important role in the future of Saskatchewan's rural development. It is tasked with providing feedback on the Rural Strategy, engaging rural Saskatchewan in an on-going dialogue and monitoring delivery of the Rural Strategy and the progress made on recommendations. During the fiscal year, the committee examined further recommendations to be provided to the Government of Saskatchewan in the areas of rural infrastructure, rural employment, rural business development and Crown land. A final ACRE report and recommendations was submitted to Government after the conclusion of the fiscal year.

Industry Organizations

SAFRR has made a major commitment to on-going consultations and regular meetings with a wide range of producer and agri-business organizations, such as the Saskatchewan Association of Rural Municipalities, the Agricultural Producers Association of Saskatchewan, the Saskatchewan Stock Growers Association, the Saskatchewan Cattle Feeders Association, Sask Pork, the National Farmers Union, the Saskatchewan Organic Directorate, the Saskatchewan Agrivision Corporation Inc., the Saskatchewan Food Processors Association, the Canadian Wheat Board, and many others. These meetings are essential for understanding the needs and concerns of the industry at any given time and are often a way of discussing potential policy initiatives. The Ministers also meet with numerous other organizations and individuals within the agri-food sector.

Department Organization

As of March 31, 2005, SAFRR had 864.1 full-time equivalent (FTE) positions at 26 communities throughout the province, with the head office located in Regina. The location of the department's Agriculture Business Centres, the Agriculture Knowledge Centre, Lands Branch Offices, other field offices and SCIC offices are included in the following list:

Assiniboia, Davidson, Estevan, Humboldt, Kindersley, LaRonge, Leader, Melville, Moose Jaw, Moosomin, Nipawin, North Battleford, Outlook, Preeceville, Prince Albert, Raymore, Regina, Rosetown, Saskatoon, Shaunavon, Swift Current, Tisdale, Turtleford, Watrous, Weyburn, Yorkton.

The following is a breakdown of the FTE positions at the end of the fiscal year:

Administration	**37.0**
Minister and Deputy Minister's Office, Corporate Services Branch	
Land Management	**42.1**
Lands Branch	
Livestock and Veterinary Operations	**39.0**
Inspection and Regulatory Management Branch	
Policy and Planning	**54.7**
Communications and Policy Branches, Rural Issues Office and Business and Information Technology Services	
Agriculture Research	**12.5**
Agriculture Research Branch	
Agriculture Development and Technology Transfer	**158.5**
Agri-Business Development, Crop Development, Livestock Development and Market Development and Food Branches	
Investment Programs	**59.7**
Financial Programs Branch	
Revolving Funds[1]	**124.1**
Saskatchewan Crop Insurance Corporation	**336.5**
Total (Organization)	**864.1**

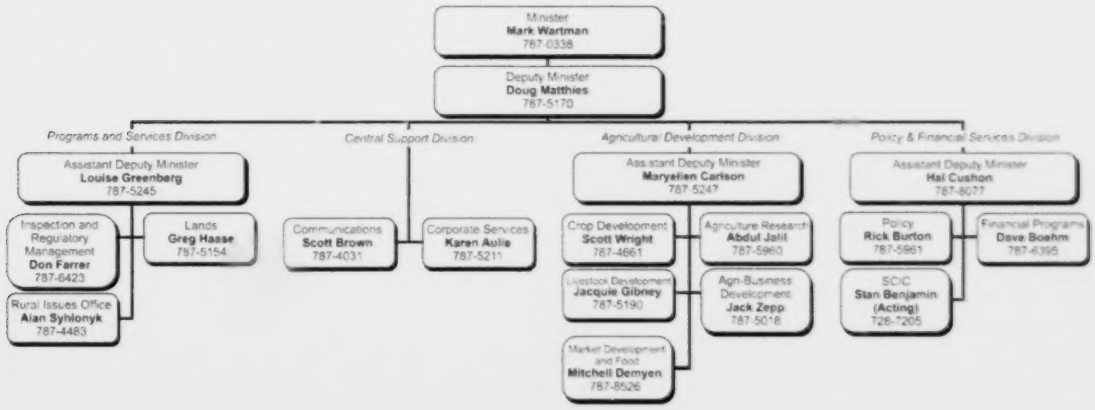
1 Revolving Funds consist mostly of seasonal employment for the Saskatchewan Pastures Program and Livestock Inspection Services.

Saskatchewan Agriculture, Food and Rural Revitalization is composed of three major divisions: Development Division, Central Support Division and Policy and Programs Division, which includes Saskatchewan Crop Insurance Corporation (SCIC).

Department Vision: *A thriving agricultural sector and dynamic rural communities that contribute to an enhanced quality of life for all Saskatchewan residents.*

Saskatchewan Agriculture, Food and Rural Revitalization

March 31, 2005



2004-05 Results at a glance

Key highlights of SAFRR's 2004-05 performance and financial results are contained in this section. Many of these results continue to be directly affected by weather and international market disruptions.

Crop production in Saskatchewan continues to rebound from the drought-reduced output of 2002, although production quality was down significantly due to a severe frost in August. Output in 2004 was an estimated 26.19 million tonnes, representing an increase of 20 per cent over the previous year, and 11 per cent above the previous 10 year average. Economic stresses on the cattle sector persisted, due to the continuing reduction in access to the United States (US) market that stems from the identification of BSE in four head of Alberta cattle. During the year, market returns improved for the hog sector and for select crops.

Despite the continuing pressures, the department achieved several successes that furthered the development and progress of the provincial agricultural sector and the people and families that make up the industry.

Summary of Performance Results

A summary of the most important results achieved by SAFRR in respect to the goals identified by the department in its 2004-05 Performance Plan follows. More detailed information on the results associated with all key actions and performance measures is provided in the next section.

Goal 1 – Prosperous, Sustainable, Agricultural Production and Processing Industries

- Supported a 65 per cent increase in slaughter steers and heifers marketed to almost 307,000 head.
- Contributed to a two per cent increase in slaughter hogs marketed in the province during calendar year 2004 to 2 million animals.
- Maintained assistance to beef producers, who are continuing to deal with the economic impact of BSE. The negative impact this has had on cow prices has led many producers to continue retaining cows. As of January 1, 2005, beef cow population numbers were eight per cent higher compared to a year earlier and more than 16 per cent above the level of January 1, 2003.
- Contributed to a 23 per cent increase in the dollar value generated per acre of crop produced. Much of this increase stemmed from a continued improvement in crop yields compared to the drought-reduced levels of 2002.
- Encouraged an increase in provincial primary agriculture Gross Domestic Product (GDP) and select agri-value GDP of six per cent during the 2004 calendar year.
- Promoted a further reduction in summerfallow area as a percentage of total cultivated land to 14.9 per cent.

Goal 2 – Strong, Resourceful, Rural People, Families and Communities

- Responded to 16,855 technical and general inquiries through the Agriculture Knowledge Centre.
- Assisted the Action Committee on the Rural Economy's four subcommittees in their research and in preparing draft recommendations to government in the areas of rural infrastructure, rural employment, rural business development and Crown lands.

Summary of Financial Results

The 2004-05 department budget was $264.3 million. The department also received Special Warrants authorizing a $141.2 million expenditure increase, making total available funding $405.5 million. Total SAFRR expenditures for the 2004-05 fiscal year were $391.6 million, resulting in a variance of $14.0 million.

The following table provides a summary of actual expenditures:

SAFRR Expenses	**Actual** ($ thousands)
Personal Services	$ 20,432
Supplier and Other Payments	$ 15,115
Transfers to Individuals	$312,942
Transfers for Public Services	$ 43,239
2004-05 Expenses	$391,566

SAFRR exceeded its original budget estimate primarily as a result of two factors. In December 2004, the Government of Saskatchewan agreed to ensure funding to cover full payments on Saskatchewan's share of producer payments under the 2003 CAIS Program. Second, the Provincial Government entered into an agreement with the Government of Canada to assist the livestock industry, which has been hurt by the US border closure following the 2003 discovery of a case of BSE. As a result, three new programs were initiated: the Feeder Calf Set-aside Program, the Fed Cattle Set-aside Program and the Other Ruminant Industry Transitional Program.

Details concerning these expenditures are included in the section titled Special Warrant Funding.

Year in review and key risk factors

2004-05 proved to be another challenging year for primary agriculture in Saskatchewan. Several events had a major influence on the sector, all of which were largely beyond the control of farmers or governments. BSE, poor quality crop production, low commodity prices, rising costs and international trade policy issues were once again the main factors at work. Although Saskatchewan producers are resilient and have proven their ability to weather such issues, many farmers and ranchers have found it increasingly difficult to maintain an optimistic outlook when their farming operations are affected by all these outside forces at the same time.

The challenges facing Saskatchewan producers are evident in the following farm income numbers. According to the Agriculture and Agri-Food Canada (AAFC) updated Farm Income Forecast, aggregate realized net farm income (RNFI) levels for Saskatchewan are projected to fall to all time lows in 2005. In the decade prior to the most recent years, RNFI had been relatively stable, with an aggregate 1993 to 2002 average of $555 million (Statistics Canada). Primarily because of drought in 2002, and the May 2003 discovery of BSE in Canada, 2003 RNFI levels fell to -$86 million. This recovered slightly to -$54 million for 2004; however, AAFC is projecting the aggregate value will drop to -$486 million for 2005.

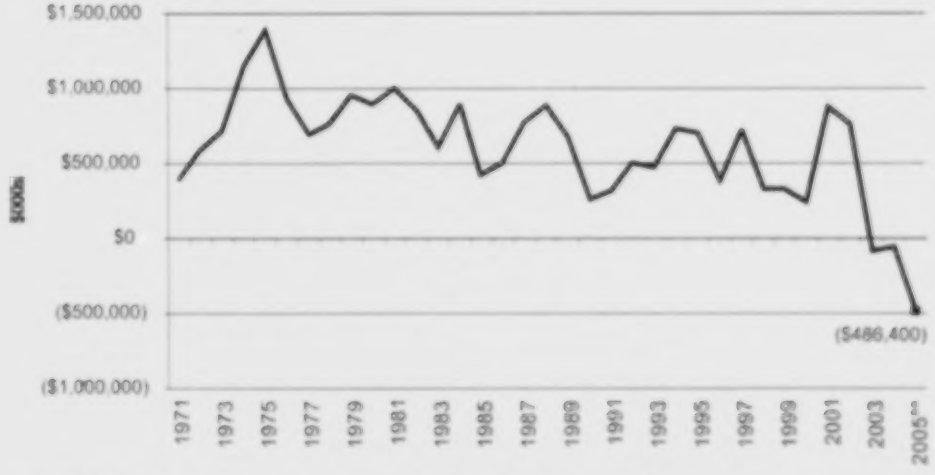
The primary drivers in this steep drop in farm income levels are BSE triggered trade and market impacts, adverse crop quality, low commodity prices (compounded by further appreciation in the Canadian dollar), rising input costs, and global agricultural policies. The impact of each of these factors is summarized in the following paragraphs.

BSE

Canada's livestock producers continue to suffer from trade restrictions imposed by the United States (US) and other key export markets after a BSE stricken animal was discovered in Alberta in May of 2003. The US is normally Canada's largest, most convenient and highest value export market, but that market remains closed to live Canadian cattle and other ruminant imports, and to imports of beef derived from older animals. These restrictions continue to cause significant economic damage to the cattle and other ruminant industries in Canada.

In early 2005, a new import rule, published by the United States Department of Agriculture (USDA) was expected to end most trade restrictions. This rule, Bovine Spongiform Encephalopathy: Minimal-Risk Regions and Importation of Commodities,

Realized Net Farm Income - Saskatchewan*



* Realized net farm income numbers provided by Statistics Canada

** 2005 realized net farm income forecast provided by Agriculture and Agri-Food Canada

was published in the US Federal Register on January 4, 2005, and was to become effective on March 7, 2005. It designated Canada as a minimal risk region, thereby allowing imports into the US of live Canadian cattle under 30 months of age and beef from all animals.

The border did not open, due to a preliminary court injunction in Montana, which delayed the implementation of the USDA rule. A decision on implementation is now dependent on the conclusion of full court proceedings (scheduled for the summer of 2005), or the successful appeal of the decision to award a preliminary injunction. As the decision to resume trade rests with the US legal system, making assumptions on the timing of normal trade is problematic.

Compounding the current uncertainty is the further request, by the Montana based farm group that obtained the original injunction, for an extension of the ban to encompass all Canadian beef. Currently, Canadian boneless beef from animals under 30 months of age has access to the US market. Packers have responded by significantly increasing capacity and exporting larger volumes of eligible beef. Expansion of the existing ban, even for a short period of time, would result in more disruption and hardship for the Saskatchewan livestock sector.

In light of the ongoing border closures, Canada responded in the fall of 2004 with the BSE Repositioning Strategy. The Government of Saskatchewan fully endorsed that strategy, which remains in effect. The strategy consists of four main components:

1. Intensify efforts to reopen the US border;
2. Facilitate increased domestic slaughter capacity;
3. Sustain the cattle industry until planned capacity expansions are online; and
4. Increase Canada's share of beef exports to international markets.

The most promising aspect of the BSE Repositioning Strategy is the increase in domestic slaughter capacity, which is the bottleneck in Canada's beef production system. Between the end of 2003 and June 2005, national slaughter capacity is expected to increase by 18 per cent. By the end of 2006, it is projected that Canada will have increased slaughter capacity by 33 per cent in total. By the end of 2005, Canada is expected to be self-sufficient in cattle slaughter capacity. At this point, the need to export live cattle will not be necessary. Canada would be in a position to process all animals available for slaughter, assuming access to the US and other global markets for Canadian beef continues.

The 2004 Saskatchewan cattle marketings (slaughter and feeder animals) indicate heifer marketings have increased over 2003 and are 22 per cent higher than the 1998 to 2002 average. This is due to the fact that meat from young animals is eligible for export to the US under certain conditions, so packers have focused on this high priced market. Meat from cows, however, must be sold domestically at lower prices. In response, packers are offering lower prices for these animals and farmers are choosing (where possible) not to market their cows but to continue breeding them. Cow marketings in 2004 were nearly 50 per cent below the 1988 to 2002 average.

Almost all other livestock species continue to be affected by BSE. Sheep, bison, cervid and other ruminants faced similar market closures and price drops.

Saskatchewan Cattle Marketings

	2004	2003	1998/2002 Average	2004/2003	2004/Average
Heifers	646,180	577,320	528,646	12%	22%
Cows	78,670	96,110	154,452	-18%	-49%
Heifers and Cows	724,850	673,430	683,098	8%	6%

Source: SAFRR Cattle Marketing Report.

Adverse crop quality:

In 2004, abnormally cool and wet conditions, combined with an early frost and snowfall, caused a significant decline in the quality and value of field crops. The prospect for an above average crop of normal quality ended on August 20, 2004, when a widespread killing frost hit a large part of the eastern half of the grain growing region. The frost came at a critical stage near the end of the plant life when seeds were filling and firming up for harvest. The end result was a harvest that was 11 per cent above the 10 year average, but well below average quality. Only six per cent of the spring wheat crop reached the top grade, compared to 42 per cent for the 10 year average. Similarly, 35 per cent of canola graded number 1, compared to 79 per cent on average. These quantities of poor quality grain significantly depressed prices for the lower grades.

Low commodity prices:

Saskatchewan farmers are price takers in an international marketplace for many of the crops produced. That is, these crops are sold at the going world price. Consequently, prices received are directly influenced by a number of external global factors, including: the size and quality of foreign production, global stocks and international subsidies, and the value of the Canadian dollar versus its US counterpart, which is used to price most commodities in the world market place. In addition, Saskatchewan's reliance on export markets means net commodity prices are influenced by ocean freight rates and domestic transportation costs. Positive or negative changes in these factors directly affect net grain prices and returns to producers.

The 2004-05 crop year was a good year for world grain and oilseed production. Global output of wheat was 625 million metric tonnes, nine per cent higher than the previous five-year average. Global production of corn (which competes with Saskatchewan feed grains) was 17 per cent higher than average, and international production of soybeans (a competitor to canola) increased 20 per cent. In addition, production increases occurred in many exporting nations that directly compete with Canada. The US, Australia and the European Union (EU) all experienced good crops in 2004.

Compounding the impact of excess world supply has been a new round of European export subsidies for certain crops, due to the appreciation of the Euro relative to the US dollar. The reinstatement of export subsidies by the EU includes wheat, oats and barley. Such subsidies lead to a direct reduction in global prices and, ultimately, Saskatchewan prices, for those grains.

The Canadian dollar also continued to appreciate against the US dollar, rising an additional eight per cent from the beginning to the end of the fiscal year. This increase came on top of a 12 per cent rise that occurred over the previous year. This appreciation further reduced prices received by Canadian producers (or reduced any international price improvements that occurred) for their agricultural exports.

Commodity Prices ($/tonne)

Crop	1999/00 - 2003/04 5 year average	2003/04 Crop Year (estimate)	2004/05 Crop Year (forecast)	2004/05 as a % of average
Wheat (#1)	174	164	166	95
Durum (#1)	189	177	154	82
Barley (malt)	155	143	117	75
Barley (feed)	110	99	73	66
Canola	308	348	276	90
Peas	198	210	173	88

Source: SAFRR

Livestock Prices (average)					
	1999/2003 average	2003	2004	2004/average	2005 (to March 31)
A Steers $/cwt	94.18	89.53	74.26	79	80.26
D1-D2 Cows $/cwt	54.13	41.98	23.55	44	24.92
100 Index Hogs $/ckg	138.77	136.44	154.67	111	139.93
Source: SAFRR					

Because of the global factors identified, projected 2004-05 crop prices are lower than the previous five-year average price for all major crops. These prices (for top grades) are illustrated in the following table. In addition, average prices received by Saskatchewan producers will be further reduced from these levels because of the poor quality of the crops harvested.

BSE triggered trade and market impacts were the major influence on livestock prices in 2004. Excess supply of slaughter steers, heifers and cows compared to packing capacity resulted in lower prices. "A" grade steer prices were 21 per cent lower than the 1999 to 2003 average, and below the levels of 2003. With the appearance of new slaughter capacity in 2005, "A" steer prices have been averaging higher. However, continued US market restrictions on meat from older Canadian animals (cows) have increased the excess supply of older animals, resulting in downward pressure on prices. Average D1, D2 cow prices for 2004 fell by 56 per cent from the 1999 to 2003 average and have not recovered during the first half of 2005.

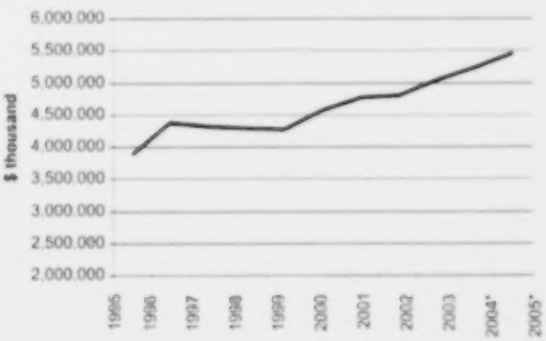
Hog prices have also been influenced by BSE, but in a positive way. The removal of Canadian and US beef from the global market place has increased the demand for alternate sources of meat protein. This demand is being filled by pork, resulting in higher prices. The table above illustrates that 2004 hog prices were 11 per cent higher than the 1999-03 average and 18 per cent higher than in 2003.

Rising input costs:

Between 1995 and 2004, the operating costs of Saskatchewan farmers rose by approximately 35 per cent. AAFC estimates an additional 4.5 per cent increase will occur in 2005.

Fuel and fertilizer costs have steadily increased, driven largely by higher prices for oil and natural gas. These two inputs are among the largest expenses incurred by Saskatchewan farmers, reaching a combined total of nearly $1.4 billion annually. For 2005, AAFC projects fertilizer costs will increase by 10 per cent and fuel costs by four per cent. Increasing input costs at a time when commodity prices are declining further squeezes producers' profit margins.

Operating Expenses, Saskatchewan Farms



Source: Agriculture and Agri-Food Canada, Farm Income Forecast

Global agricultural policy:

Foreign subsidies continue to promote overproduction, which pressures global prices downward. This environment has worsened with the reinstatement of EU export subsidies. Barriers to trade are also having a negative effect. In 2003, the US applied countervail and antidumping duties on Canadian spring wheat exports, which remained in place throughout 2004-05, despite challenges to and appeals of the US decision. In addition, antidumping duties of more than 14 per cent were applied to Canadian live hog exports to the US in 2004. While these duties ultimately were reversed, the disruption to trade was costly to defend. They also inhibited growth and integration of the Canadian and American industries.

The effect of the numerous challenges experienced by Saskatchewan producers during 2004-05 is evident in the Statistics Canada farm cash receipts, expenses and income estimates. As illustrated below, declining market receipts have been offset by rising program payments, leaving aggregate cash receipts relatively stable. However, operating expenses are consistently increasing, and incomes are decreasing.

Despite the numerous challenges there are areas for optimism in agriculture for 2005. The organic industry in Saskatchewan continues to grow, fuelled by growing demand for organic produce, lower production costs and higher returns. Hog prices remain strong because of high global demand for protein. It is possible the US market will reopen for live Canadian cattle in 2005. In addition, as Canada becomes self-sufficient in cattle slaughter capacity, the urgency to access the US market for live cattle diminishes.

The meat processing sector in Saskatchewan has become a growth area for value-added activity. One result of the closed US market for cattle is a 16 per cent increase in the provincial cattle herd since January 2003. An expanded cattle herd, combined with market uncertainty in the US has made beef packing more attractive in Saskatchewan. Saskatchewan's largest beef processor, XL Foods, is expanding to 1,700 head per day slaughter capacity from its original 800 per day capacity.

There is also some optimism that a World Trade Organization (WTO) framework agreement may be reached at the end of 2005-06. This could eventually bring some relief to Saskatchewan farmers if international competitors agree to reduce subsidies and market access expands. However, the full impact of changes resulting from a new WTO agreement will likely be several years hence.

Farm Cash Receipts, Expenses and Income, 1999 to 2004, Saskatchewan

	1999/2003 average	2003	2004	2004/2003	2004/1999-2003 average
	$ million	$ million	$ million	% change	% change
Total Market Receipts	5,030.5	4,212.6	4,754.0	12.9	-5.5
Total Program Payments	975.5	1,601.1	1,189.6	-25.7	22.0
Total Cash Receipts	6,006.0	5,813.6	5,943.6	2.2	-1.0
Net Operating Expenses	4,684.2	4,997.7	5,089.4	1.8	8.7
Net Cash Income	1,321.8	815.9	854.2	4.7	-35.4
Realized Net Income	405.5	-85.6	-53.8	37.1	-113.3

* Source: Statistics Canada

Key Risk Factors:

The specific challenges that Saskatchewan's agricultural industry experienced in 2004 were both traditional and new. However, on an on-going basis, several key risk factors continuously and directly affect the industry. The appropriate management of these factors by the industry and by SAFRR is essential, if agriculture in Saskatchewan is to be successful in the long-term. The following on-going key risk factors for the agri-food sector have been identified:

- Saskatchewan's competitive ability in world agricultural markets;
- Environmentally sustainable and commercially viable agricultural production and processing industries;
- Reasonable investment opportunities in these industries; and
- Adequate diversification of the primary output of the sector as well as conversion of additional primary agricultural products to higher value products.

The components of each key risk factor are as follows:

Saskatchewan's competitive ability in world agricultural markets:

- Saskatchewan's agricultural production and processing industries need to be aware of, and strive to keep pace with, commercial trends and technological developments affecting them, especially in respect to the impact these factors may have on their global competitive position.
- Because of their export orientation, Saskatchewan's agricultural production and processing industries must pursue an open and undistorted international trading environment and adjust to the new trading rules as they develop.
- Research needs to be adequately funded by the public and private sector, and appropriately directed to address both cost of production pressures and the consumer demands.
- Saskatchewan's agricultural production and processing industries must maintain a good reputation and be well-known outside the province. Consumer confidence in food and animal health and safety must be maintained and enhanced.
- The department and the agricultural production and processing industries must develop and maintain effective provincial, national and international business links and partnerships. The industry must ensure it has the ability to adapt and successfully diversify to new markets and market conditions.
- The department and the agricultural production and processing industries must actively pursue the province's interests in national and international forums.

Environmentally sustainable and commercially viable agricultural production and processing industries:

- Agricultural production should occur in a safe and sustainable environment such that the industries can produce sufficient volumes of quality products.
- The department must provide the oversight, regulation and programs needed to ensure that food produced in the province is safe.
- Producers need to have access to adequate financial and personal support systems and to the tools and resources they need to develop and prosper.
- The department needs to identify stakeholders' needs and develop policies and programs that help to ensure the sustainability and viability of the agricultural production and processing industries.

Reasonable investment opportunities in these industries:

- Saskatchewan's agricultural production and processing industries must be able to attract people with the ingenuity, resources and business initiative needed for the agricultural economy to thrive and grow.
- Business risk management programs (e.g., income stabilization programs) must be adequate, while encouraging producers, businesses and rural communities to respond effectively to changing market conditions.
- The department needs to play an appropriate leadership role in establishing overall agricultural policy and direction that encourages investment and growth in the province's agricultural production and processing industries.

Adequate diversification of the primary output of the sector as well as conversion of additional primary agricultural products to higher value products:

- The department needs to help the agricultural production and processing industries identify new business opportunities and work with them to develop strategies to take advantage of those opportunities.
- The department needs to help the agricultural production and processing industries find new ways to produce and market higher value products.
- The department needs to provide some direct financial support and help the agricultural production and processing industries obtain innovative and targeted financing that encourages diversification and higher value production.

The following section provides detailed information on the progress SAFRR has made toward achieving our goals and longer-term objectives. The key actions originally presented in our 2004-05 plan are listed below, followed by a report on actual progress for each. Actual results information is included for all key actions and performance measures that were published in our 2004-05 Performance Plan, as well as for all commitments related to Saskatchewan Agriculture, Food and Rural Revitalization in the government-wide Budget and Performance Plan Summary for 2004-05.

Goal 1 – Prosperous, sustainable, agricultural production and processing industries

Objective 1 – Increased livestock production and diversification to higher value crops

One of the best opportunities to create jobs and economic growth in Saskatchewan is through further development of the livestock industry, particularly the cattle and hog sectors. Increases in such livestock production have the potential to encourage expansion in our domestic meat processing sector. An increase in the value of production per acre of crop land will also result in a larger rural economy and contribute to employment in rural Saskatchewan. This increase may be achieved through higher yields, more intensive use of land and the growing of higher value crops.

Steady progress was made toward the objective of increased livestock production and diversification to higher value crops in 2004-05. Marketings of slaughter steers and heifers rose by 65 per cent over last year to approximately 307,000 head in 2004-05. Saskatchewan beef producers increased the beef cow herd to 1.535 million head as of January 1, 2005, an increase of almost eight per cent over 2004. This increase is primarily due to producers reducing the cow cull rate in the face of low cull cow prices resulting from the BSE situation. This growth or further increases may not be sustained in the longer-term as the industry fully adjusts to the new environment and/or if US markets eventually reopen to older animals and meat produced from such animals.

The number of slaughter hogs marketed in the province during the 2004 calendar year grew more slowly and increased by two per cent to 2 million animals. By the end of the fiscal year, Saskatchewan pork producers had increased the breeding herd by 2.4 per cent to 133,000 sows and gilts. However, total hogs on farms were 1.4 million head as of March 31, 2005, an increase of over six per cent compared to the year earlier.

To help realize the objective of increased livestock production and diversification to higher value crops, the department has identified six key actions. These actions are to:

- Proactively identify potential development opportunities and infrastructure requirements and provide project support for new or expanding agricultural enterprises
- Implement strategies to attract new people and investment to the livestock industry
- Provide livestock and crop development information and services
- Provide crop disease and pest surveillance
- Provide irrigation development and information services
- Manage agricultural Crown land and develop options for best use of asset

The activity by SAFRR and the results associated with each of these key actions follows.

Proactively identify potential development opportunities and infrastructure requirements and provide project support for new or expanding agricultural enterprises [2004-05 planned result]

- SAFRR released a pre-feasibility study in March 2005 titled *Saskatchewan "Pre-Feasibility" Beef Business Analysis: A guide to developing beef production capacity in Saskatchewan*. The study helps proponents identify key factors in building and operating successful packing facilities, including supply and demand, sales and marketing, financing options and ownership structure. The study is organized in a workshop model format that allows proponents of livestock processing plants to do initial analyses

of their proposed initiatives. As of March 31, 2005, SAFRR held facilitated workshops in Moose Jaw, Yorkton and North Battleford.

- Department staff assisted Western Prime Meat Processors with the planning, development and start-up of their packing and processing plant at Weyburn. This new multi-species slaughter plant began operation in September 2004. The department also assisted the proponents of Natural Valley Farms Ltd., which began retrofitting a building in Wolseley for beef processing during the year. This facility is expected to be operational by June 2005, while the construction of a facility at Neudorf is expected during fiscal year 2005-06. The department was also consulted prior to the expansion of XL Foods in Moose Jaw, where slaughter capacity has more than doubled from its original slaughter capacity of 800 animals to 1,700 animals per day.
- For the fiscal year, a total of 29 approvals were issued under *The Agricultural Operations Act*. The capital construction costs for the approvals issued are estimated at $22.5 million. In 2003-04, 31 approvals were issued, representing $38 million in capital value.
- Department staff developed an information package on the "Public Process" to help support developing and expanding intensive livestock operations (ILOs) and ensure that all stakeholders are able to participate in livestock development in their communities.
- Discussions were held with different groups looking at developing a chicken processing facility. Hallmark Poultry has indicated that it will be constructing a facility in Saskatchewan.

Project support offered by the department for new and expanding livestock enterprises can only be successful if the regulatory and technical infrastructure is in place. During the 2004-05 fiscal year, the department:

- Provided livestock inspection services at 40 auction markets, 23 feedlots, two slaughter plants and eight abattoirs.
- Inspected 1,550,645 animals and provided brand verification for 179,234 animals on 114,369 manifests.
- Documented livestock movement through the issuance of 48,902 permits.
- Issued 12 new licenses for game farm activity. Total licensed game farm operators in the province stood at 576 in fiscal year 2004-05. These operations have approximately 43,600 game farm animals (elk, white-tailed deer, mule deer, fallow deer, big horn sheep, caribou, reindeer and moose).

Numerous initiatives also were undertaken in the crops sector. During 2004-05, the department:

- Co-ordinated the Agri-ARM Program, which targets projects focused on diversifying the predominant cropping systems in the province. The following proposals were developed to acquire project funding:
  - Biomass Ethanol;
  - Canola management; and
  - Oriental Mustard AITC (allyl isothiocyanate) enhancement.
- Initiated a project to develop a new rapeseed variety to produce glucoraphanin extract as an anti-cancer agent.
- Continued the development of a sour cherry industry by developing the objectives and market options.
- Completed a proposal for the final strawberry crown market development work. Saskatchewan could potentially penetrate 30 per cent of the targeted California market based on Northern Vigor® response and opportunity for early fruit production. This would represent 750 acres of production over approximately 75 production sites.

Implement strategies to attract new people and investment to the livestock industry [2004-05 planned result]

- Immigration from other provinces and countries is seen as a tool to expand livestock and processing industries in Saskatchewan. The department participated in the Last Cattle Frontier presentations in Alberta, which are designed to attract livestock producers to east-central Saskatchewan. That effort was complemented by activities such as "Welcome to the Region" dinners to create an "at home" feeling for those who have relocated to the province.
- The department developed a package of information about the Saskatchewan Immigrant Nominee Program and the Foreign Workers Program to help the agricultural industry fill gaps in their labour supply. These materials were utilized by a producer to recruit and sponsor Filipino immigrants to work in a Saskatchewan hog operation.
- Green Certificate Program (GCP) staff worked with Government Relations' Saskatchewan Immigrant Nominee Program to make employers aware of potential employees from the Netherlands, China, the Philippines and Ukraine.
- SAFRR continues to administer the Livestock Loan Guarantee (LLG) Program. This provides producers with alternative financing options for purchase of livestock or for construction of feedlot facilities. Under the association option, Saskatchewan residents establish production associations to borrow funds, on the strength of a government guarantee to the lender and the association's assurance fund. The funds are used by associations to purchase feeder and breeder cattle and sheep and feeder bison. Several initiatives under the financial option were undertaken in 2004-05, including:
  - An increase in loan limits for members;
  - An extension of loans on cattle, through regulation amendments, in response to BSE related market losses; and
  - Amendments to *The Farm Financial Stability Act* to provide certain exemptions related to assurance funds and to clarify status of producer agreements.
- The Feedlot Construction Loan Guarantee Option was made available in September 2004. Under this option, loan guarantees are provided to lenders that finance the construction or expansion of feedlot facilities for feeding cattle, sheep or bison. Because of continued BSE driven market uncertainty, activity under this option has been slow to develop, with one application in process by fiscal year end.

Activity under the Livestock Loan Guarantee (LLG) Program

Program statistics	2003-04	2004-05
Number of associations	120	111
Number of members	5,500	5,000
Loan Guarantees	$23.04 million	$27.68 million
Feeder Cattle purchased (head)	87,022	89,705
Value of Feeder Cattle purchased	$68.8 million	$72.3 million
Breeder Cattle purchased (head)	23,552	19,757
Value of Breeder Cattle purchased	$21.3 million	$16.6 million
Feeder Bison purchased (head)	84	30
Value of Feeder Bison purchased	$35,300	$10,160
Value of Feeder Sheep purchased	0	530
Breeder Sheep purchased (head)	898	333
Value of Breeder Sheep purchased	$102,791	$26,910

Provide livestock and crop development information and services [2004-05 planned result]

- Department staff assisted rural municipalities that were considering ILO developments by providing an understanding of the implications of adopting the bylaw template developed by the Saskatchewan Association of Rural Municipalities, the Saskatchewan Agrivision Corporation, Saskatchewan Government Relations and SAFRR.
- In an effort to alleviate potential feed shortages, reduce feed costs and utilize an abundance of frozen feed grains, staff developed the fact sheets *Grazing Unharvested Swaths* and *Feeding Frost-Damaged and Sprouted Grain to Livestock*. The department also developed a fact sheet, *Cull Cows: On-farm Feeding and Marketing Options*, which identified feeding, processing and marketing strategies to increase cull cow values.
- The department also assisted producers in establishing or further developing formal organizations for specific crops or production sectors. During 2004-05, the department assisted the Canary Seed Association of Canada, the Saskatchewan Beekeepers Association, the Saskatchewan Forage Seed Development Commission and the Prairie Oat Growers Association in developing check-off programs to support research and development for their respective sectors. Discussions also took place regarding the creation of a Development Commission with the Dairy Farmers of Saskatchewan.

Provide crop disease and pest surveillance [2004-05 planned result]

- The Crop Protection Laboratory provides crop diagnostic services for weeds, insects, plant diseases and herbicide resistance. The lab also houses the Late Blight Potato Monitoring program, the Dutch elm disease hot line and diagnostic service and the bertha armyworm monitoring program. During 2004-05:
  - The lab diagnosed 897 submissions. The submissions by category were: weeds – 74; insects – 27; plant diseases – 326; Dutch elm disease – 367; and herbicide resistance screening – 103.
  - The Crop Protection Laboratory continued support for screening of export-bound strawberry crowns for pathogenic nematodes.
- The department continued the operation of the Bee Laboratory in Prince Albert to analyze bee samples for infestations of tracheal mites. Approximately 1,400 samples were analyzed for Saskatchewan beekeepers.
- Insect surveys were co-ordinated for wheat stem sawfly, cabbage seedpod weevil, bertha armyworm, grasshopper and wheat midge. These projects included data interpretation and the publication and distribution of survey results. Most surveys are conducted on an annual basis. However, the Bertha armyworm survey results were updated weekly during the growing season.
- Plant disease surveys were co-ordinated for fusarium wilt of canola and fusarium head blight of cereals to identify the prevalence and severity of the disease within the province.
- In addition to operating the Crop Protection Laboratory, the department undertook a number of other initiatives during 2004-05 in support of this key action:
  - Managed the Integrated Weed Management and Biocontrol of Weeds (i.e. leafy spurge, scentless chamomile) program in co-operation with the Saskatchewan Association of Rural Municipalities;

- Administered the provincial component of the Minor Use of Pesticides Program and provided provincial input into the national minor use initiative;
- Managed the Agri-Food Innovation Fund - PCAB provincial minor use initiative. The majority of trials in 2004 involved weed control in chickpea and canaryseed;
- Requested an emergency registration of Checkmite from the Pest Management Regulatory Agency in order to make this product available for use by Saskatchewan beekeepers to control varroa mites; and
- Applied and obtained the emergency registration of Folicur fungicide for the control of fusarium head blight in spring wheat.

Provide irrigation development and information services [2004-05 planned result]

- Drought and value-added opportunities resulted in 223 inquiries on irrigation development and processes. Approximately 4,000 new acres in the province were developed at an estimated capital cost of more than $2.8 million.
- Irrigation Certification is required by all new irrigation projects to ensure environmental sustainability. During the fiscal year, over 7,000 acres of land were investigated for Irrigation Certification. This included over 4,000 acres which were investigated for "infill" in Irrigation Districts, while over 3,000 acres were investigated outside districts and throughout the province.
- An irrigation survey of the Lake Diefenbaker area was conducted, which identified changes in crops under irrigation over the past 10 years. Vegetable acres (potatoes) as a percentage of the total irrigated area have increased from three per cent to seven per cent, while forage area has increased from 22 per cent to 36 per cent.
- Support was provided on the design of trials to address diseases in beans under irrigation (including sclerotinia and bacterial blight control).
- SAFRR, along with the Irrigation Crop Diversification Corporation (ICDC) and the Saskatchewan Irrigation Projects Association (SIPA), participated with Saskatchewan Agrivision Corporation Inc. in the development of the *50 Year Water Development Plan for* Saskatchewan.

Manage agricultural Crown land and develop options for best use of asset [2004-05 planned result]

- Each fall, vacant Crown land is advertised for lease. In 2004-05, a total of 190 parcels containing 24,007 acres was allocated to interested lessees.
- Vacant land which is surplus to department needs is offered for sale by tender. During the 2004-05 fiscal year, 20,888 acres of Crown land were sold, resulting in $3.7 million in net revenue. Lessees acquired 17,237 acres or approximately 83 per cent of the acreage sold.
- First Nations have the opportunity to obtain Crown land under the Treaty Land Entitlement (TLE) process, in cases where third party interests to such land are settled. In 2004-05, 3,933 acres were sold, generating $363,351 in revenue for the province. Since 1994, over 173,000 acres of Crown land, with a value of approximately $15.4 million, have been sold under the TLE process.
- Conservation easements may be utilized as a means of protecting native prairie prior to Crown land tender sales. The department works with Saskatchewan Environment biologists on the pre-identification of lands for conservation easements. SAFRR holds 40 conservation easements affecting area within 51 quarters of land. In 2004-05, six parcels of land were sold with a conservation easement.
- The department monitors land to determine ecological health and conducts land audits to ensure proper use. There were 10,880 acres monitored in the 2004 season.

- Staff completed seven range plans on provincial community pastures (Rosthern-St. Julien, Blue Bell, Insinger, Whitebeech, Arena, Pipestone and Midale). Saskatchewan Watershed Authority assisted with the Pipestone and Midale Pasture range plans.
- SAFRR is currently developing a Co-operative Grazing Strategy for 118 grazing co-operatives occupying Crown land. Ninety six per cent of these co-operatives are situated on land in the native state. The strategy will focus on land management in order to maintain the ecological integrity of the land and to ensure sustainability of a healthy native prairie grazing resource.
- SAFRR eliminated the size restriction that excluded individuals and farm corporations with farm sizes greater than 200 per cent of the average for their rural municipality from obtaining a Crown agricultural lease during a non-family assignment. In many cases, large tracts of native prairie under a single lease can be better managed than small tracts of land, thereby maintaining the health and ecological integrity of the ecosystem.
- SAFRR added 75 sections of native prairie into the Mankota pasture as part of a transfer and land purchase by Grasslands National Park from a Crown land lease holder. This created one contiguous parcel of land which should improve the integrity of the area for the long-term.
- The department completed a rare plant survey on four sites in the Manitou Sandhills prime conservation area. The information will be used to help guide petroleum and gas companies in restoring sites with plant species that existed prior to disturbance.

Measurement Results

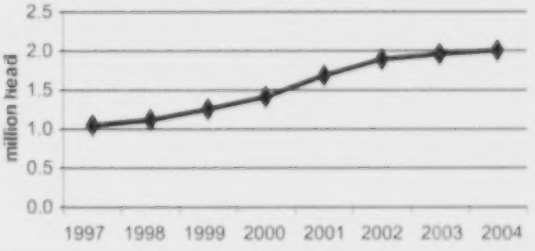
The 2004-05 Performance Plan indicated that progress toward achieving the objective of increased livestock production and diversification to higher value crops would be measured by growth in Saskatchewan's primary beef and hog production, growth in the cow herd and changes in the dollar value generated per acre of crop produced. The specific measures are:

- *Changes in the number of hogs marketed;*
- *Changes in the number of slaughter steers and heifers marketed;*
- *Growth in the beef cow herd size; and*
- *Value of crop output in dollars per acre.*

The following trend and measurement results for these specific measures follow.

Hogs marketed

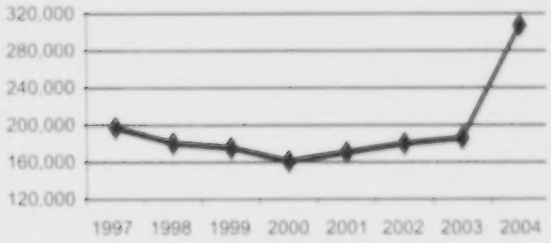
(End of calendar year)



Source: SAFRR Agricultural Statistics Handbook, SPI Marketing Group, Sask Pork

During 2004, the number of slaughter hogs marketed reached 2 million animals. This represents an increase of 40,000 over the number reported for the previous year and an approximate doubling of marketings since 1997. However, growth during the past three years has slowed dramatically. It is expected that improvements in market access with the US and greater feed supplies during the coming year should encourage expansion in this sector.

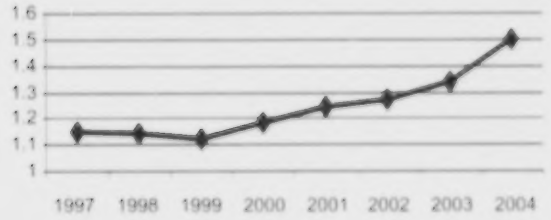
Slaughter steers and heifers marketed
(End of year)



Source: SAFRR Cattle Marketing Report

During 2004, 306,850 slaughter steers and heifers were marketed, an increase of 120,600 over the revised number reported for the previous year, and almost double the recent low that occurred in 2000.

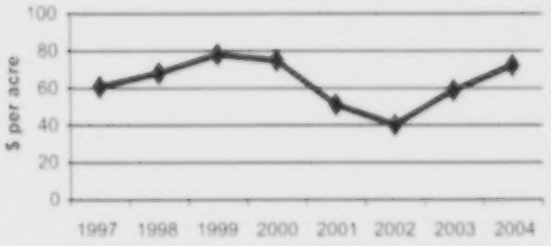
Growth in beef cow herd size
(As of July 1)



Source: Statistics Canada, in SAFRR Livestock StatFact January 1, 2005 Cattle on Farms

Midway through 2004, the beef cow herd in Saskatchewan was estimated by Statistics Canada at 1.5 million head. This is an increase of 165,000 animals from the level of a year earlier and is well above the recent low set in 1999 of 1.12 million. By January 1, 2005, the beef cow herd had expanded further and stood at 1.535 million head.

Value of crop output



Source: SAFRR, internal calculations, and Statistics Canada

In 2004, the value of crop output per acre, as calculated by SAFRR, was $71.91 per acre, up $13 an acre from the value estimated for the previous year. Despite this improvement, the value of crop output has yet to recover to the level experienced in 1999 and 2000.

Objective 2 – Increased total value of goods and services produced by the agriculture and food sector

Development of the primary agricultural sector and further processing of this primary production is necessary to expand the contribution in economic output and employment that may be made to the provincial economy. Increased processing, particularly outside urban centres, will directly enhance the rural economy and help keep smaller communities viable.

SAFRR made progress toward achieving this objective, due to the continued recovery in crop output that began in 2003. Primary agriculture Gross Domestic Product (GDP) increased by more than six per cent to $1.89 billion in 2004, representing 6.3 per cent of total provincial GDP. However, select agri-value contribution to the provincial GDP during the year was mixed, with the value of animal feed manufacturing declining by 11 per cent, while meat product manufacturing rose by five per cent. Of the value-added sectors for which Statistics Canada continues to report GDP output, an expansion in value of only two per cent occurred. Total primary and select agri-value GDP increased to $2.11 billion in 2004, up six per cent from the 2003 level of $1.99 billion.

To help realize the objective of increased total value of goods and services produced by the agriculture and food sector, the department has identified five key actions. These actions are to:

- Implement strategies to develop value chains for the beef, pork, flax, pulse and organic industries
- Continue targeted investment attraction strategies such as the Agriculture Development Fund (ADF) and the Agri-Value Program to increase processing activity
- Deliver the Agricultural New Generation Co-operatives (ANGen) Program to allow farmers to participate further up in the value chain
- Invest in and manage research and development to support the industry priority areas (noted above) and to create opportunities for the agriculture and food sector. Key components of this are SAFRR's Strategic Research Program Agreement with the University of Saskatchewan and project funding provided through ADF
- Provide an effective regulatory environment for sector development

The activity by SAFRR and the results associated with each of these key actions follows.

Implement strategies to develop value chains for the beef, pork, flax, pulse and organic industries [2004-05 planned result]

- A number of meat processing initiatives have moved forward during the year. The department provided facilitation services and information to Natural Valley Project Inc., in respect to the establishment of a kill plant and beef manufacturing facility in the Wolseley-Neudorf area. Western Prime Meat Processors was assisted in the planning, development and start-up of their packing and processing plant at Weyburn. The department was also consulted prior to the expansion of XL Foods in Moose Jaw. SAFRR continued to have discussions with other meat processors who could make future investments in Saskatchewan.
- Active collaboration with agribusiness companies in establishing a value chain for flax continues. Two market assessment initiatives were carried out by SAFRR to provide the Saskatchewan industry with up-to-date information in key areas, including the market potential for flax fractions in North America and opportunities for processed food ingredients in Mexico. In recognition of provincial flax production and the availability of fibre, Living Skies Apparel, a clothing manufacturing business that utilizes flax fibre, has relocated to east central Saskatchewan from British Columbia.
- Further identification of pulse processing and marketing issues has occurred. During the year, the department worked with Saskcan Pulse Trading Inc., Heurtland Agro and Saskatchewan Pulse Growers regarding ways to expand the split red lentil industry in Saskatchewan.

Continue targeted investment attraction strategies such as the Agriculture Development Fund (ADF) and the Agri-Value Program to increase processing activity
[2004-05 planned result]

- During 2004-05, the Agri-Value Program allocated $284,582 to 18 projects. This amount was in excess of the $250,000 initially allocated to the program; however, the ADF Board of Directors approved additional funding to cover approved projects. The program is designed to encourage development and expansion of the value-added agri-food industries in the province.
- SAFRR, with participation from industry and other government representatives, was a sponsor in the World Meat Congress in Winnipeg, a biennial event attracting senior executives from the international meat and livestock industry. This initiative raised the profile of Saskatchewan as a key player in the Canadian pork and beef industry and provided a forum to communicate the province's interest in attracting additional processing and investment. Discussions were initiated with 10 leading international meat processors and investment prospects were explored.
- Over the past year SAFRR welcomed 26 incoming delegations, originating from countries including: United States, Taiwan, Germany, China, France, Kazakhstan, Iran, Spain, India, Mongolia, Mexico, Israel and South Korea. Saskatchewan businesses were invited to meet with incoming delegations to maximize exposure to potential markets, investment, partnerships and alliances. In addition, trade development staff from Canadian embassies in the United States, Mexico, Spain and Germany came to Saskatchewan and met with local business representatives.
- SAFRR also participated in the organization of three outgoing missions including the Netherlands, United Kingdom and the Minister's Mission to Spain, Germany and France. SAFRR partners closely with Saskatchewan Trade and Export Partnership (STEP) in assisting companies to reach their export targets and potential.

During the past year, SAFRR also engaged in a number of on-going activities that are related to and supportive of the key action. These include:

- Partnering in the planning and hosting of the International Business Centre at the Canadian Western Agribition. As a result of this initiative, over 650 guests from 61 countries and 14 American states were placed in a position to contact Saskatchewan companies seeking export sales and development. 2004 was a record year for the international program.
- Maintaining an active role in the federal/provincial partnership known as Trade Team Saskatchewan. This partnership continues to improve its communication, resource sharing and strategic direction in order to accelerate market development and investment attraction. Trade Team Saskatchewan offered high-quality exporter readiness training seminars, called Going Global, at four centres: Regina, Saskatoon, Prince Albert and North Battleford. The seminars attracted approximately 100 individuals from across the province.
- SAFRR has taken the lead role on behalf of the Government of Saskatchewan in the Canada-Ukraine FARM (Facility for Agriculture Reform and Modernization) Program. This program, funded by Canadian International Development Agency, offers Saskatchewan companies an opportunity to develop partnerships and potential trading relationships with companies in Ukraine.

Deliver the Agricultural New Generation Co-operatives (ANGen) Program to allow farmers to participate further up in the value chain [2004-05 planned result]

- The Agricultural New Generation Co-operatives Program provides opportunities for farmers to work together to develop businesses for producing value-added products from their primary production. This program provides assistance for setting up the co-operative, feasibility studies, business and marketing plans, preparation of a prospectus and pre-design of facilities. In 2004-05, two groups were approved for funding the early stages of the business development process and received $34,500 in total. In comparison, three groups received funding in 2003-04 in the amount of $12,322. The funding will assist the proponents to further their business development plans and help identify further processing opportunities for agricultural processes.

Invest in and manage research and development to support the industry priority areas (noted above) and to create opportunities for the agriculture and food sector. Key components of this are SAFRR's Strategic Research Program Agreement with the University of Saskatchewan and project funding provided through ADF [2004-05 planned result]

- The Saskatchewan Agriculture Development Fund (ADF) and the Canada-Saskatchewan Agri-Food Innovation Fund (AFIF) are the major channels for provincial research funding for agriculture and food research and development in the province. These two funds provided almost $8.6 million to a variety of new and on-going projects in four specific areas (livestock, crops, environmental stewardship and value-added) and one general area.
- A breakdown of expenditures under the ADF and AFIF by category is contained in the following table. The 217 ADF projects, consisting of 138 on-going projects and 79 new projects and 52 completed projects were in the areas of field crops, horticulture, forage crops, plant breeding, plant disease and pest control, animal production, animal welfare, processing, animal disease and pest control, management, marketing and economics.

AFIF provided approximately $1.1 million to 14 projects during the 12-month period ending March 31, 2005. This fund was created to promote and support emerging primary production and value-added processing activities within the province. All original funding has been fully committed and the Fund continues to operate to manage ongoing contracts.

- In 2004-05, SAFRR worked with the University of Saskatchewan to implement the five-year Strategic Research Program Agreement that was signed in 2003. During the year $2.1 million in funding to the university was provided. The agreement provides funding for up to 15 SAFRR-Chair positions based on $165,000 per year (over the term of the agreement) to cover the cost of a researcher and technician salaries.

2004/05	General	Livestock	Crops	Environmental Stewardship (Soils, Air and Water)	Value-Added	Total
ADF $	363,240.60	1,328,959.37	4,845,038.98	424,923.00	525,956.50	7,488,118.45
# of Projects	12	34	113	23	35	217
AFIF $	220,000.00	10,000.00	782,363.21	0	90,000.00	1,102,363.21
# of Projects	1	2	10	0	1	14
Total $	583,240.60	1,338,959.37	5,627,402.19	424,923.00	615,956.50	8,590,481.61
Total # of Projects	13	36	123	23	36	231

A similar agreement was also signed with the Prairie Agricultural Machinery Institute and the Western Beef Development Centre (WBDC) to provide funding for two Chair positions. Toward the end of the fiscal year, Chair positions had been filled in: Soil Biological Processes, Soil Nutrient Management, Meat Processing, Lipid Quality and Utilization, Agriculture Material Utilization and Bioprocess Engineering, Feed Research, On Farm Food Safety and Crop Genetics (six positions).

- Under the Agri-Food Innovation Fund, funding of $900,000 over the next three years will be provided to support the work of the Western Beef Development Centre (WBDC). The Centre will be incorporated as a distinct line of business within the Prairie Agricultural Machinery Institute (PAMI). Bringing together the two research institutions, which are both dedicated to advancing the agricultural industry through research and development, will enable greater resource sharing. This will enhance a close working relationship with the on-going beef research community, including the University of Saskatchewan's Colleges of Veterinary Medicine and Agriculture.

  To support the economic viability and the expansion of the agricultural industry over the longer-term, additional research activity is supported by the department. Specific programming and funding activity includes:

- Vaccine and Infectious Disease Organization (VIDO)

  SAFRR provided $300,000 in funding during 2004-05 to support research and development as part of a five-year (2001-06) agreement with VIDO for research in disease control and vaccine production.

- Prairie Swine Centre Inc.

  SAFRR provided $250,000 in funding during 2004-05 to support research and development in quality pork production as part of a five-year (2001-06) agreement with the Prairie Swine Centre Inc.

- Saskatchewan Beef Development Fund (BDF)

  The BDF administers the Beef Development Plan. In 2004-05, the BDF provided support of approximately $163,000 for eight research projects related to the beef industry structure, cattle production, nutrition, breeding, disease control and beef processing.

- Horned Cattle Fund (HCF)

  The HCF supports cattle production research and product development and market promotion. In 2004-05, the HCF provided support of over $72,382 for seven projects.

- Cattle Marketing Deductions Fund (CMDF)

  The CMDF promotes the growth of the beef sector through research, promotion and market development activities. The fund is self-supporting via a "mandatory-refundable" check-off collected at the time of sale. For 2004-05, the fund collected $ 1,419,976 in check-offs and earned $108,026 in interest, while $66,206 was rebated to producers. During the year, CMDF provided $952,857 to support 18 projects.

- Prairie Agricultural Machinery Institute (PAMI)

  SAFRR provided core funding of $650,000 for the 2004-05 fiscal year to PAMI, as well as $277,880 from ADF to carry out research, development, evaluation and extension activities to improve agricultural machinery, agriculture processing equipment and related electronic equipment.

- Ag-West Bio Inc.

  On April 1, 2004, Ag-West Biotech Inc. (AWB) was amalgamated with Bioproducts Saskatchewan (BPS) and the Saskatchewan Nutraceutical Network (SNN) into one organization called Ag-West Bio Inc. Ag-West Bio Inc. promotes the development of the agricultural biotechnology sector in Saskatchewan through marketing and information.

In 2004-05, SAFRR provided funding in the amount of $900,000 to Ag-West Bio Inc. to assist the continuation of its activities and to assist with ag-biotech research. An additional $9,500 was given to Ag-West Bio Inc. to create a global presence for Saskatchewan's analytical, research and custom processing sector under the Agri-Value Program.

Provide an effective regulatory environment for sector development [2004-05 planned result]

- In 2004-05, amendments were made to *The Saskatchewan Farm Security Act* and Regulations, allowing farmers to access financing with credit union branches following the same rules that other financial institutions utilize. The amendments provide farmers with more options to access capital.

  The regulation amendments, together with the Act amendments, which remove a requirement for credit union customers to obtain legal advice when providing exemptions for security on certain kinds of loans, became effective November 15, 2004.

- Under *The Agricultural Implements Act*, SAFRR issued 400 licenses and registered 107 distributors.

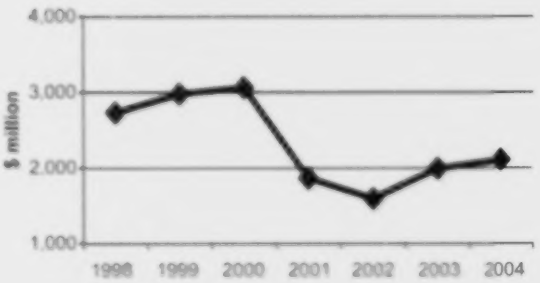
- Staff prepared the province's response to the federal government's proposal to make changes to the *Plant Breeders' Rights Act*. Saskatchewan strongly encouraged the Canadian Food Inspection Agency to ensure that the rights and privileges that prairie producers currently enjoy are not diminished or impinged upon by any changes it might have considered to the Act, as this is a very important issue to farmers.

Measurement Results

The 2004-05 performance plan indicated progress toward achieving the objective of increased total value of goods and services produced by the agriculture and food sector. This is measured by changes to primary agriculture and agri-value GDP, as calculated by Statistics Canada. The specific measure is:

- *Primary agriculture GDP plus select agri-value (meat processing, feed processing) GDP.*

Primary and Select Agri-Value GDP



Source: Statistics Canada

In 2004, primary agriculture GDP and select agri-value GDP increased to $2.1 billion, a six per cent increase from the previous year. Sector GDP has yet to recover to the level enjoyed at the beginning of the decade. This drop reflects the decline in commodity prices and the dominance of primary agricultural output in the aggregate measure.

Objective 3 – Enhanced Environmental Stewardship

From an economic standpoint, it is important to utilize progressive farming and processing practices in an environmentally sound manner that maintains our soil and water resources and protects the environment.

SAFRR made additional progress toward the achievement of this objective in 2004-05. A further reduction in summerfallow area was achieved, with the percentage of total cultivated land under this practice falling to 14.9 per cent in 2004, down from 15.5 per cent in the previous year. Land at environmental risk continues to receive remedial action and/or be converted to permanent cover. The Saskatchewan Environmental Farm Plan (EFP) Workbook has been completed and the EFP program has been successfully launched in the farm community.

To help realize the objective of enhanced environmental stewardship, the department has identified four key actions. These actions are to:

- Implement the environmental farm planning initiative
- Provide environmental assessments for intensive livestock operations
- Ensure that Saskatchewan farmers are treated fairly in the Climate Change Plan for Canada
- Regulate the application of pesticide products by the agricultural industry

The activity by SAFRR and the results associated with each of these key actions follows.

Implement the environmental farm planning initiative [2004-05 planned result]

- During 2004-05, 940 producers participated in the stage one EFP workshop delivered by the Provincial Council of Agriculture Development and Diversification Boards Inc. (PCAB). A total of 79 initial workshops and 60 stage two workshops were held. Of the 940 producer participants, over 500 are expected to have completed their EFPs and be eligible to apply for Canada-Saskatchewan Farm Stewardship Program (CSFSP) funding in calendar 2005.
- Equivalent Agri-Environmental Farm Plans (EAEP), designed to address specific environmental issues through group planning and actions, may also be implemented. A test project is underway with a watershed group in southeast Saskatchewan.
- The Greencover Technical Assistance Component (TAC) is part of the environmental chapter of the Agricultural Policy Framework and has brought many agencies, producers and producer groups together to demonstrate solutions to problems associated with riparian areas and marginal soils. Thirty projects totaling $2.3 million have been approved in the first year of TAC funding.
- SAFRR assisted in an intergovernmental team which undertook an environmental scan in each of the four Agricultural Policy Framework Environment Chapter priority areas – water, soil, air and biodiversity.

Provide environmental assessments for intensive livestock operations [2004-05 planned result]

- SAFRR staff completed 178 site inspections, of which 42 were audits and 29 were manure storage inspections, to ensure compliance with *The Agricultural Operations Act* and to ensure water resources were not at risk.
- Staff continued to monitor hog manure application by Elite Stock Farms Ltd. This activity provides useful long-term information on sustainable hog manure management and optimum crop nutrient utilization under irrigated conditions.
- Seven written complaints about water pollution were received and investigated.

Ensure that Saskatchewan farmers are treated fairly in the Climate Change Plan for Canada [2004-05 planned result]

- SAFRR has established a working group that is receiving briefings on developments from the Climate Change Plan for Canada. The objective of the working group is to examine options and develop a strategy to ensure that Saskatchewan farmers and land owners, collectively or individually, can maximize the financial return from the carbon they are sequestering by their agronomic practices with a minimum of administration costs.

Regulate the application of pesticide products by the agricultural industry [2004-05 planned result]

- *The Pest Control Products (Saskatchewan) Act* and regulations provides for pesticide applicator, service and vendor licensing. There are currently 14 license classes that reflect the types of pesticide application being conducted. An applicant for any license must pass a pesticide applicator course offered by the Agriculture Division of the Saskatchewan Institute of Applied Science and Technology (SIAST).

  As provided for under *The Act*, the department issued 1,878 pesticide applicator, 673 service and 456 vendor licenses during the year. This compares to 1,801 pesticide applicator, 647 service and 427 vendor licenses, as well as one private farmer license, during 2003-04.

- The Pesticide Investigator handled 33 complaints related to the improper use of pesticides. The pesticide unit completed inspection of 30 vendors during the year.
- Working with stakeholders, SAFRR developed the pesticide sales database system, which collects total active ingredients sold in the province, as well as participates on a committee for the Continuing Education Credit System for pesticide certification.

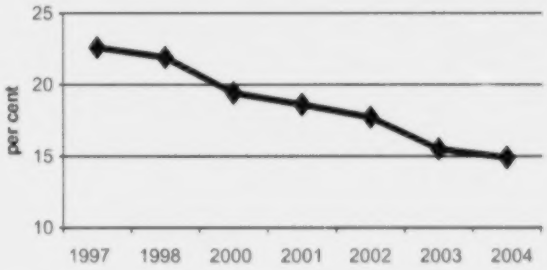
Measurement Results

The 2004-05 performance plan indicated that progress toward achieving the objective of enhanced environmental stewardship would be measured by changes in the practice of summerfallow and by the number of environmental farm planning workshops that are resourced. Summerfallow information is gathered by Statistics Canada on an annual basis, while the statistics on EFP workshops are provided by the PCAB. The specific measures are:

- *Summerfallow as a percentage of total cultivated land; and*
- *Number of EFP workshops that are resourced.*

The trend and measurement result for these specific measures follows.

Summerfallow area as a percentage of land available for annual crop production



Source: Statistics Canada

During 2004, summerfallow acreage as a percentage of total land available for annual crop production fell to 14.9 per cent, down from the 15.5 per cent reported in 2003.

During the latter part of 2004-05, a total of 139 introductory and stage two EFP workshops were held. This is the first year of the initiative, so comparative statistics for previous years do not exist.

Objective 4 – Improved food safety and quality systems

Consumers throughout the world are increasingly demanding that high safety standards be observed in the production of the food that they buy. Saskatchewan producers and processors must respond to that demand to compete in the global marketplace.

SAFRR made significant progress toward achieving this objective in 2004-05. On-farm food safety programs are in operation for the egg, chicken, dairy, hog, cattle and bison sectors. The number of incidences where inhibitor penalties have been applied to dairy producers has declined, while the number of hogs that are inspected in federally regulated slaughter facilities in Saskatchewan has stayed constant.

To help realize the objective of improved food safety standards, the department has identified two key actions. These actions are to:

- Implement a food safety strategy for Saskatchewan's food processing sector
- Assist industry in implementing on-farm food safety programs. This includes training, quality and safety programming initiatives at both the on-farm and processing level, surveillance of diseases of food animals, as well as potential contamination points within the food system and support for activities to determine food product quality parameters.

The activity by SAFRR and the results associated with each of these key actions follows:

Implement a food safety strategy for Saskatchewan's food processing sector [2004-05 planned result]

- SAFRR continued its efforts in respect to advisory and training services for companies in the areas of food safety and quality assurance programs. During 2004-05:
  - Safe Quality Food (SQF) Awareness Training presentations were made to 331 industry participants from 27 companies who were interested in learning more about this program.
  - Training in FoodSTEPS-Processing Foods Safely continued. An online version of this program was completed during the fiscal year and is delivered by the Saskatchewan Institute of Applied Science and Technology (SIAST).
  - A two-day Hazard Analysis Critical Control Point (HACCP) format was developed in order to meet the targeted needs of Saskatchewan food processing companies.
  - Thirteen companies engaged in HACCP development and/or audits of their food safety programs at their processing facilities.
  - SAFRR launched the Processing Food Safely course for distance education through SIAST.

Assist industry in implementing on-farm food safety programs. This includes training, quality and safety programming initiatives at both the on-farm and processing level, surveillance of diseases of food animals, as well as potential contamination points within the food system and support for activities to determine food product quality parameters [2004-05 planned result]

- An on-farm food safety (OFFS) specialist provided expertise and developed programming oversight for on-farm food safety programs for approximately 20 commodity groups, of which seven have completed the process (dairy, egg, pork, beef cattle, bison, chicken and broiler hatching eggs) while three are in process (grains, sheep and the potato program). Activities this past year focused on the development of a governmental recognition program for on-farm food safety programs, as well as completion of the federal/provincial OFFS recognition manual titled Government Requirements for a Management Manual of a National On-Farm Food Safety Program.

- SAFRR continued its participation in the Beef Quality Starts Here working group. The Beef Quality Starts Here program is now nationally recognized by the Canadian Food Inspection Agency (CFIA). This nationally recognized program is titled The Verified Beef Protection (VBP) Program. Saskatchewan now has 12 beef operations (feedlots and cow-calf entities) accredited by the VBP program with 300 production units that have begun certification under this program.

Other department activities also support this key action:

- The Provincial Dairy Laboratory provides milk quality analysis for producer raw milk samples and processor finished product samples. The lab supports the efforts of the provincial dairy specialist who administers and enforces *The Dairy Producers Regulations, 1995*. Under the regulations a system of concurrent infractions and penalty system is maintained in order to assess monetary penalties for infractions.
- The department continued to administer the provincial Chronic Wasting Disease (CWD) surveillance program, including assessment of cervid herds and evaluation of import requests. In addition, staff continued to participate in the development of a national CWD control strategy for wildlife.
- Staff worked with Prairie Diagnostic Services to change the format for reporting of CWD test results, increasing efficiency and decreasing processing time.
- SAFRR continued to manage Saskatchewan's response to the discovery of BSE in Alberta and the United States. This included national discussions on specified risk material removal from the food and feed chains.

Measurement Results

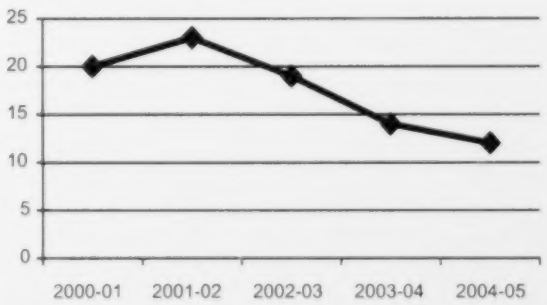
The 2004-05 performance plan indicated that progress toward achieving the objective of enhanced environmental stewardship would be measured by the number of inhibitor penalties that are applied, the number of hogs that are inspected in federal facilities in Saskatchewan and the number of farmers who have trained in on-farm food safety programs. The specific measures are:

- *Number of incidences where inhibitor penalties are applied to dairy producers;*
- *Number of hogs that are inspected in federally regulated slaughter facilities in Saskatchewan; and*
- *Number of farmers who have trained in on-farm food safety programs.*

The trend and measurement result for these specific measures follows.

Inhibitor Penalties Applied

(Fiscal year)

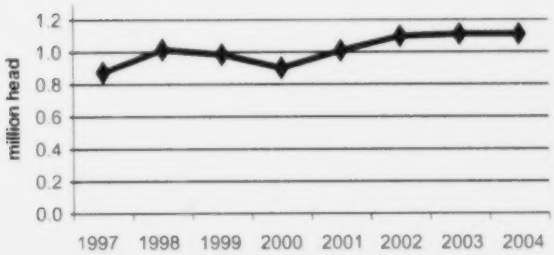


Source: Provincial Dairy Laboratory

During 2004-05, the number of inhibitor penalties that were applied to dairy producers due to the presence of antibiotic residue in milk shipments fell to 12 from 14 during the previous year.

Hogs Inspected in Federally Regulated Facilities

(End of calendar year)



Source: AAFC Weekly Livestock and Meat Report

During calendar 2004, the number of hogs that were slaughtered in federally regulated hog facilities in Saskatchewan stayed constant with the previous year at 1.1 million head. This is down slightly from the 1.13 million that were slaughtered in 2002.

Approximately 30 per cent (80 of 270) of Saskatchewan's dairy producers have trained in on-farm food safety programs. For the bison industry, the percentage is approximately 70 per cent of the estimated 285 producers in the province. Although training sessions have also occurred in the egg, broiler hatching egg, chicken, hog and cattle sectors, no statistics on producer participation are currently available.

Objective 5 – Effective safety net programs and risk management tools

Income from agricultural production is subject to both price and production risk and may be quite variable from year to year. Effective safety net programs and risk management tools are essential if producers are to deal with these risks and achieve the full economic potential of the sector. SAFRR made significant progress toward achieving this objective during the fiscal year. Participation in the CAIS program has been significant. It is estimated that in excess of 95 per cent of Saskatchewan farm operations with over $10,000 in sales enrolled in the program. Crop insurance participation continues to be at high levels, although the percentage of annual crop area and forages covered under the program declined somewhat in 2004. Several temporary programs were also introduced to deal with the continued economic pressure that BSE disrupted markets have placed on livestock producers.

To help realize the objective of effective safety net programs and risk management tools, the department has identified three key actions. These actions are to:

- Implement the new federal/provincial business risk management programming (CAIS Program)
- Provide crop insurance programs which grains and livestock producers may use to offset production failures and other natural hazards
- Continue monitoring and delivery of programming to address unique risk situations

Implement the new federal-provincial business risk management programming (CAIS Program) [2004-05 planned result]

- Saskatchewan became a participant in the Canadian Agricultural Income Stabilization (CAIS) program by signing the APF Implementation Agreement on December 22, 2003. The CAIS program is available to provide assistance to producers for five years covering the 2003 program (tax) year through to the 2007 program (tax) year. The CAIS program replaces the previous Net Income Stabilization Account (NISA) program and the Canadian Farm Income Program (CFIP) with one program that provides both income stabilization and income disaster protection.

  The CAIS program is an individual whole-farm program that provides payments to producers whenever individual farm income, as measured by a farm's production margin, declines relative to previous average levels. Payments available to producers are graduated so that, as the degree of income decline increases, the relative amount of support available from government increases.

  For the 2003 program (tax) year, 41,877 Saskatchewan producers signed up for the CAIS program and elected a level of support. Almost 36,000 Saskatchewan producers filed the necessary supplementary forms and applied for support available under the program. As of March 31, 2005, 32,900 applications had been processed representing 91.5 per cent of claims received from Saskatchewan producers. Of the claims processed, 60 per cent (19,774) are eligible for payments totalling $334 million. By the time processing is finished, it is estimated that between $450 million and $485 million will have been paid to Saskatchewan CAIS participants.

- SAFRR continues to monitor the NISA Program for Saskatchewan producers. Although the 2002 tax year was the final year for NISA, producers have five years from March 31, 2004, to withdraw funds that had accumulated in their NISA accounts. Withdrawal provisions have been revised to provide enhanced tax provisions for producers winding down their NISA account and withdrawing funds. In addition, producers have the option of transferring funds in their NISA account to a CAIS account to satisfy the deposit requirements of that program.

  As of March 31, 2005, 14,383 Saskatchewan producers had NISA accounts worth $544 million. This is down significantly from March 31, 2004, when there were 60,000 NISA accounts worth $1.16 billion.

Provide crop insurance programs which grains and livestock producers may use to offset production failures and other natural hazards [2004-05 planned result]

- For the 2004-05 crop year, the Crop Insurance program provided production insurance on 36 different crops and crop classes as well as a variety of forages. Approximately 32,000 customers insured 25.0 million acres of annual cropland and nearly 800,000 forage acres under the yield-loss programs. Weather-based insurance products accounted for an additional 3.1 million acres. The program insured 71 per cent of all land seeded in Saskatchewan in 2004, down from 75 per cent insured in 2003.
- Recognizing forage production as a critical element of Saskatchewan's agricultural industry, Crop Insurance expanded and enhanced a number of programs. These include:
  - A pilot establishment benefit of $75 per acre on native forage acres for producers enrolled in the federal Greencover Canada Program;
  - Increased benefits to $30 per acre under tame hay forage establishment options for alfalfa, alfalfa/grass or grass and $27 per acre for sweetclover establishment;

- Enhancements to the Forage Rainfall Insurance Program to include a choice of monthly weightings, to better represent timely precipitation for the individual's pasture operation. Also new for 2004, producers could select to cap precipitation included in monthly calculations at either 150 or 125 per cent of normal. Twelve new weather stations were added to the program for a provincial total of 131; and
- A weather-based pilot program insuring against the lack of corn heat units over the growing season was offered in 16 designated rural municipalities.

- Under the Annual Crop Weather Based Insurance program, Crop Insurance introduced an enhanced $25 per acre top-up option in addition to the basic $10 top-up option and $75 stand alone option. The weather-based top-up options, which protect producers against drought and early fall frost, could be used to enhance regular, multi-peril crop insurance coverage. In addition to the enhanced top-up, 12 new weather stations were added to the program, increasing the total to 129. (Willmar and Balcarres weather stations are not eligible for selection under the Annual Crop Weather Based Insurance Program as they do not collect frost data.)
- Several adjustments also were made to the program to continue to meet actuarial guidelines:
  - The standard grade for large green and other class lentils was reduced to #2 Canada. Red lentil standard grade remains at #1. The changes were incorporated to better reflect the predominate grade of the crop sold in Saskatchewan.
  - Organic long-term area stubble yields were reduced to more accurately reflect current production.
  - Starting in 2004, individual production information was used to establish the bushel coverage available on chickpeas, rather than provincial average yields. In addition to individual coverage, experience/discounts surcharges were also applied.
  - The producer cost share of total premiums was 37.7 per cent in 2004, increasing from approximately 36 per cent in 2003. Under the Agricultural Policy Framework, the Crop Insurance program cost-sharing will move to 40 per cent by producers and 60 per cent by both governments, with the governments continuing to be responsible for all administration costs.

2004 was another difficult year for the Crop Insurance program. A wet, cool growing season ended early in many areas of the province with a killing frost on August 20, 2004, resulting in a high number of quality claims. Crop Insurance completed nearly 58,000 inspections and paid approximately $394 million to customers. The claim amount for 2004-05 brings the four-year total paid out under the program to more than $2 billion.

More detailed program and statistical information can be found in the 2004-05 Saskatchewan Crop Insurance Corporation Annual Report at www.saskcropinsurance.com.

Continue monitoring and delivery of programming to address unique risk situations [2004-05 planned result]

- In response to the severe economic impact triggered by the BSE crisis, several federal/provincial and provincial-only assistance programs were made available to producers in Saskatchewan. These included:
  - **The Canada-Saskatchewan Feeder Calf Set-aside Program**

    The program was designed to delay the finishing and slaughter of a portion of the 2004 calf crop in an effort to better balance supply and demand of slaughter cattle to help support slaughter prices. The program provides beef cow owners and backgrounders with the option of holding a portion of their 2004 calf crop from slaughter. Producers had the option to hold their calves from slaughter until either October 1, 2005, for a per head payment of $160, or until January 1, 2006, for a per head payment of $200. Payments were made in instalments: an initial federal payment of $120 and $96

for January and October set-aside dates respectively; a provincial payment of $40 and $32 on March 31, 2005, for January and October set-aside dates respectively; and a final provincial payment of $40 and $32 on October 31, 2005, for January and October set-aside dates respectively if the border remains closed to Canadian live cattle under 30 months of age. Nationally, the program targeted the set-aside of 1.5 million 2004 beef calves. Saskatchewan enrolled 220,447 animals into the program and, to date, has paid out $24,501,408 federally and $7,773,704 provincially to 6,510 applicants.

- **The Canada-Saskatchewan Fed Cattle Set-aside Program**

  The Canada-Saskatchewan Fed Cattle Set-aside Program provides cattle feeders with the option of setting aside market ready cattle to better align the supply of slaughter cattle with the available slaughter capacity. For each set-aside period (hold period), a management committee determines the number of market ready cattle that need to be set-aside. Cattle feeders who wish to participate in the program "bid" their set-aside animals into the program based on their anticipated daily feed cost for a set-aside period of up to 120 days. Program payments are issued to the applicants after their set-aside period has been completed and the animals have been inspected. This program is to operate until the end of 2006, or until the US border reopens to Canadian live cattle under 30 months of age. To the end of the fiscal year, there have been 30 registrants in the program receiving a total of $118,096.

- **The Saskatchewan Other Ruminants Industry Transitional Program**

  The program provides assistance to producers of other ruminants (elk, deer species, bison, sheep and goats) in meeting financial challenges resulting from BSE, as they adjust their management practices to suit the new market circumstances. It also allows producers to sustain critical industry infrastructure until increased slaughter capacity and marketing capacity becomes available or until the border opens. It also provides an incentive to reduce or stop further decline in breeding stock numbers within these industries. This was a Saskatchewan only program and will pay out approximately $1.8 million to producers of other ruminants.

- **BSE Livestock Loan Guarantee Program**

  As a result of the continued border closure and cash flow difficulties, regulations to the BSE Livestock Loan Guarantee Program were amended in 2004 to provide livestock producers the option of extending their 2004 principal loan payment up to January 31, 2006, and to extend the loan term from January 31, 2008, to January 31, 2009. The program was originally enacted in September 2003, under *The Agricultural Credit Corporation of Saskatchewan Act*. A total of $35.5 million was disbursed to 2,748 producers.

Livestock Drought Loan Program

The program was originally enacted in August 2002, under *The Agricultural Credit Corporation of Saskatchewan Act* in response to the severe drought experienced in many parts of the province. Regulations to the program were amended in 2004, to provide livestock producers the option of extending the 2004 principal loan payment up to December 31, 2005, and to extend the loan term from December 31, 2006, to December 31, 2007. Under the program, a total of $11.5 million was disbursed to 2,277 producers.

- The Short-term Hog Loan (STHL) program was originally introduced in November 2002, and disbursed a total of $14.6 million based on 51,716 weanlings and 785,030 hogs to 126 producers. Repayment on weanling loans commenced August 2003 and is to be repaid by July 2006. Repayment on hog loans commenced in May 2004 and is to be repaid by April 2007.

As of March 31, 2005, the outstanding loans were as follows:

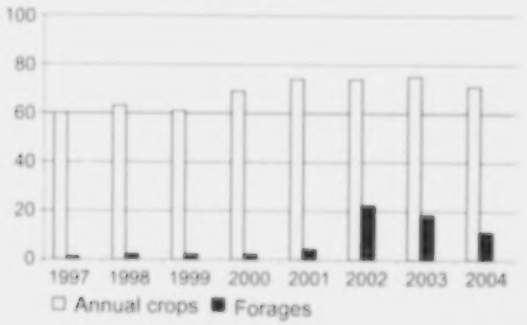
Weanling Loans	25 loans	$291,761
Mature Hog Loans	97 loans	$12,363,471
Total	122 loans	$12,655,232

Measurement Results

The 2004-05 performance plan indicated that progress toward achieving the objective of effective safety net programs and risk management tools would be measured by tracking participation in the Crop Insurance Program and tracking participation in the CAIS program. The specific measures are:

- *Acreage insured under crop insurance as a percentage of total acreage seeded annually to crops or devoted to perennial tame hay and native forage; and*
- *Percentage of Saskatchewan farm operations above $10,000 in sales that participate in the CAIS program.*

Percentage of annual crops and forage area insured



Source: Saskatchewan Crop Insurance Corporation

During 2004, 71 per cent of all annual crop acreage was insured, compared to 75 per cent in 2003. Insurance on forages was provided on 11 per cent of total acres, compared to 18 per cent in the previous year.

In respect to the CAIS program, for the 2003 program (tax) year, 41,877 Saskatchewan producers signed up and elected a level of support, a total which is nine per cent greater than the estimated number of all Saskatchewan operations with sales of $10,000 or more in 2002. (Statistics Canada – Farm Financial Survey). Of the total enrolment, 35,888 operations submitted all necessary forms to be considered for the support available under the program. This number is equivalent to more than 93 per cent of all Saskatchewan farms with sales in excess of $10,000 annually.

Goal 2 – Strong, resourceful, rural people, families and communities

Objective 1 - Rural people and families with better tools and resources to plan for their future

Saskatchewan's people are our most important resource in the development of the agriculture and food industry. They must have the tools they need to make decisions regarding their individual operations to achieve that development – whether they are considering diversification and/or expansion of their operations or exploring off farm opportunities.

SAFRR achieved some progress toward achieving this objective in 2004-05. In collaboration with the federal government, the development and delivery of renewal programming under the APF proceeded. During the year, the department established the Agriculture Knowledge Centre, as part of its restructured delivery model for information and technology transfer. Provision of peer counselling information continued, and the Farm Stress Unit of the department responded to a doubling of calls which were in relation to financial matters.

To help realize the objective of rural people and families with better tools and resources to plan for their future, the department has identified four key actions. These actions are to:

- Provide support and path-finding services to farm families contemplating changes in their operations
- Provide specialist and technical expertise
- Ensure that farmers (who are either working their way out of financial stress or are expanding their enterprises to capture new opportunities) have access to financial advice and assistance in developing business plans
- Provide information and counselling services to help farm families deal with the stresses in their industry

The activity by SAFRR and the results associated with each of these key actions follows.

Provide support and path finding services to farm families contemplating changes in their operations [2004-05 planned result]

- Renewal specialists were heavily involved in creating awareness of renewal programs through their attendance at trade shows and at the annual meetings of farm organizations in the province. These initiatives stemmed in part from the activities of the federal/provincial working group which was established to oversee delivery of Renewal Chapter programming under the APF.
- SAFRR staff were involved in supporting the development of plans to accommodate First Nations programming within the Renewal Chapter as an extension of previous work with First Nations under the Farm Family Opportunities Initiative.

Provide specialist and technical expertise [2004-05 planned result]

- The department restructured the field service delivery model effective April 1, 2004, with the closure of 31 Rural Service Centres, the establishment of nine Agriculture Business Centres (ABCs) and creation of the Agriculture Knowledge Centre (AKC). Fourteen positions were established in the AKC to provide expert technical information to ensure agricultural production supply.
  - The Agriculture Knowledge Centre staff includes four Resource Agents and eight Sector Specialists. The AKC is also linked with other provincial and regional specialists throughout the department.
  - AKC services and staff were promoted to the agricultural industry through presentations at events, meetings with key industry organizations and stakeholders, media contact, SAFRR's website and through other promotional means.
  - Producers can access the AKC province-wide by toll-free telephone, e-mail or fax. Since its inception on April 1, 2004, until March 31, 2005, the AKC responded to 16,855 technical and general inquiries.
- The Green Certificate Program was delivered to 46 new and 122 existing trainees across Saskatchewan.

- SAFRR led development efforts in the "Grain and Seed Contracts for Farmers" that contains information for Saskatchewan producers and contracting companies on sample contract issues and risk management systems. In this initiative, the department worked cooperatively with the Canadian Grain Commission, the Centre of Studies for Agriculture, Law and the Environment, Saskatchewan Canola Development Commission, Saskatchewan Pulse Growers and Agricultural Institute of Management in Saskatchewan (AIMS).
- The department worked with the Saskatchewan Pulse Growers to develop and deliver the Regional Pulse meetings across the province. Over 500 producers were updated with information pertaining to agronomy, markets and trends in pulse production and processing.
- SAFRR worked with plant breeders, seed companies and producer groups to develop a new program for regional testing of grain varieties.
- The department maintains numerous fact sheets, brochures and other publications (print and electronic versions) that provide information on pest management (i.e. plant disease control, weed control, insect control), soil management (i.e. fertility, conservation, problem soils) and farm business management issues (i.e. cost of production, land rental arrangements, machinery costs, marketing). Electronic or online versions of the publications are available on the SAFRR website.
- Throughout the growing season, the Crop Report Program provides weekly updates of regional precipitation, seeding progress, crop development, haying and harvest progress, soil moisture conditions and crop yields. Operating for 29 years, the Crop Report Program is made possible through the efforts of approximately 300 volunteer reporters.
- SAFRR provided technical information on production of new specialized "niche market" crops, including hemp, beans, quinoa, timothy and golden flax, as well as fruit production, herb production, agro-forestry and organic production.

Ensure that farmers (who are either working their way out of financial stress or are expanding their enterprises to capture new opportunities) have access to financial advice and assistance in developing business plans [2004-05 planned result]

- The Canadian Farm Business Advisory Service (CFBAS) programs were launched in the fall of 2004. This initiative includes the following programs and services:
  - The Farm Business Assessment program provides consultation services for a farm financial assessment and preparation of a farm action plan. The department's renewal specialists are the first point of contact for farmers entering the program and provide limited direct farm family counselling.
  - The Specialised Business Planning Services program provides farmers and groups of farmers with detailed business planning support for marketing, business management, diversification, expansion, risk management, human resource development and succession planning. Renewal specialists are the first point of contact for farmers entering the program and work with agricultural consultants on program delivery and supervision.
  - The Planning and Assessment for Value Added Enterprises program provides feasibility assessments and business planning opportunities to farmers and groups of farmers. Renewal specialists work directly with these program clients, as part of SAFRR's agri-business development team, to help producers develop ideas for value added opportunities.
  - The Canadian Agriculture Skills Service (CASS) helps farmers increase their family income through improved farm practices and building new agricultural enterprises; building new rural business ventures; or through obtaining employment income. SAFRR Renewal Specialists are the first point of contact for farmers entering the program.

Provide information and counselling services to help farm families deal with the stresses of their industry [2004-05 planned result]

- The Farm Stress Unit of SAFRR provides confidential peer counselling information, support and referral services in response to the needs of farmers and those involved in agriculture, who are experiencing social, emotional, physical safety and/or financial difficulty. These services are provided through the operation of the Farm Stress Line. In addition, SAFRR manages the Connections Services Directory, the Inquiry Line and the Feed Grain and Forage Listing Service.
  - The toll-free Farm Stress Line received 942 calls in 2004, compared to 908 calls in the previous calendar year. Of these calls, 38.5 per cent related to financial matters, compared to 19.5 per cent in calendar year 2003.
  - The SAFRR Inquiry Line responded to an estimated 7,892 calls in 2004-05, compared to 7,650 calls in the previous year. These calls cover the entire spectrum of agricultural issues and information requests.
  - The Farm Stress Unit continued to distribute "Farming in Difficult Times" kits. These kits address many of the critical issues farm families face and contain a wide variety of information that allows farm people to respond to the various challenges confronting them, such as human dimensions of agriculture and farm financial matters. Approximately 1,000 kits were distributed during 2004-05.
  - The Farm Stress Unit responds to requests for workshops and presentations on topics pertinent to the resources available in the Unit. In fiscal year 2004-05, the Unit conducted nine workshops, involving a total of 225 participants.

The CONNECTIONS Service Directory, a directory of business and human services, is a component of the Farm Stress Line. The service directory continues to be used by the Aboriginal Services Kiosk (ASK Directory) as one of their primary sources of information for updating their database directory. The Directory receives 118 visits per day, on average, and is available through SAFRR's website.

Measurement Results

The 2004-05 Performance Plan indicated that progress toward achieving the objective of agricultural people and families with better tools and resources to plan for their future would be measured by the number of inquiries for technical information. The specific measure is:

- *Number of inquiries to SAFRR's Agriculture Knowledge Centre for agronomic information.*

In 2004-05, the AKC handled almost 17,000 inquiries for technical information. This includes almost 4,800 on crops and special crops; over 4,600 on forages and livestock; and almost 3,000 on farm management. All other inquiries accounted for the remaining calls.

Objective 2 – Effective partnerships focused on revitalizing the rural economy

The revitalization of the rural economy necessitates an effective combination of economic policy, public investment, and attention to the health, social and economic well-being of rural residents. The achievement of this goal requires effective partnerships between and within rural communities, industry and government.

To help realize the objective of effective partnerships focused on revitalizing the rural economy, the department has identified five key actions. These actions are to:

- Continue implementation of initiatives identified in the Rural Strategy
- Continue to implement interdepartmental mechanisms (rural issues check list and internal policy review processes) to evaluate potential rural impacts of government policy (Rural Lens)
- Facilitate and coordinate efforts by the Action Committee on the Rural Economy to promote dialogue and to identify new opportunities for rural development
- Continue working relationships with stakeholders to create additional opportunities in rural Saskatchewan

Continue implementation of initiatives identified in the Rural Strategy [2004-05 planned result]

During 2004-05, progress continued towards the completion of most of the initiatives originally identified in the Rural Strategy. At this stage of implementation, nine of 16 initiatives identified in the strategy are deemed to be complete. Progress on six continues, and their attainment is expected to require a multi-year time frame. The implementation of one initiative was discontinued in 2003-04.

Future activities will be placed on delivering on the key goals and the underlying 14 priorities that are identified in the Rural Strategy rather than on the specific initiatives.

Continue to implement interdepartmental mechanisms (rural issues check list and internal policy review processes) to evaluate potential rural impacts of government policy (Rural Lens) [2004-05 planned result]

A key function of the Rural Issues Office (RIO) is to ensure policy makers across government are aware of rural issues and the potential impact policies and programs may have (Rural Lens). During the fiscal year, RIO chaired an interdepartmental rural working group which provides a horizontal link for identifying and responding to rural issues across government departments and agencies. As well as providing a forum for information sharing, the working group initiated specific actions to identify, analyze and respond to rural issues. An important activity was the development of an accountability framework as a way of measuring progress towards meeting goals and priorities outlined in the provincial Rural Strategy.

The RIO also co-chaired Rural Team Saskatchewan, which provides another horizontal link for rural issues across governments, agencies and the private sector. The Team initiated several projects, including a rural youth project, and is providing oversight for a community collaboration project in the province.

The RIO prepared and distributed a monthly newsletter to inform policy-makers across government of important issues and developments.

Facilitate and coordinate efforts by the Action Committee on the Rural Economy to promote dialogue and to identify new opportunities for rural development [2004-05 planned result]

The Action Committee on the Rural Economy (ACRE) process provides an important link to rural Saskatchewan and the subsequent implementation of the Rural Strategy. The Rural Issues Office worked closely with ACRE as it carried out its work.

- The four new ACRE subcommittees conducted their research and prepared draft recommendations to government in the areas of rural infrastructure, rural employment, rural business development and Crown lands. The draft recommendations were discussed at a series of public meetings in rural Saskatchewan to gauge public reaction. Changes were incorporated into the recommendations to address public concerns.
- The final ACRE report, which consisted of the four subcommittee reports and the final Phase 2 Summary Report is scheduled to be presented to government early in fiscal year 2005-06.
- The mandate of ACRE was extended until March 31, 2006, to enable it to complete its work and present its recommendations to the provincial government.

Continue working relationships with stakeholders to create additional opportunities in rural Saskatchewan [2004-05 planned result]

Rural Saskatchewan is diverse and challenged with a broad range of issues. During the fiscal year, the Rural Issues Office responded to a number of requests for information from rural residents and worked with stakeholders on specific issues and initiatives to improve economic opportunities and rural quality of life. The Rural Issues Office researched issues important to rural Saskatchewan, including:

- Conducting a review of the lean manufacturing approach and its application and benefit to manufacturing companies in Saskatchewan;
- Conducting an analysis of the economic impediments and opportunities in Saskatchewan as identified by the Action Committee on the Rural Economy (ACRE); and
- Researching a variety of specific enquiries and suggestions from rural citizens focussed on stimulating economic activity in rural Saskatchewan.

During the 2004-05 fiscal year, the Rural Issues Office represented the province on the Federal/Provincial/Territorial Rural Working Group, which is tasked with developing a national approach to collaborating on policies, programs and actions for rural Canada.

Measurement Results

At the end of the fiscal year, measures of performance remain under development. During 2004-05, the Rural Issues Office of SAFRR continued development of an accountability framework for the Rural Strategy, as a way of measuring progress towards meeting goals and objectives outlined in that strategic plan.

Saskatchewan Agriculture, Food and Rural Revitalization
Schedule of Revenue and Expenses

		2004-05 Estimates $000s	2004-05 Actuals $000s	Variances over (under) $000s	Notes
Revenue					
Land Revenue:					
Crown Land Sales	$	6,500	3,703	(2,797)	1
Rent and Penalty on Land Leases		27,025	25,739	(1,286)	2
Interest		280	262	(18)	
Royalties on Sand and Gravel		10	10	-	
Transfers from Federal Government		15,300	15,162	(138)	3
Privileges, Licences and Permits		472	587	115	4
Sales, Services and Service Fees		186	240	54	5
Other Interest Revenue		600	518	(82)	6
Other Revenue		20	1	(19)	
Refund of Previous Year Expenditures		135	7,992	7,857	7
Total Revenue	$	50,528	54,214	3,686	
Expenses					
Administration	$	2,053	2,490	437	8
Accommodation and Central Services	$	3,895	3,773	(122)	9
Industry Assistance	$	3,142	6,472	3,330	10
Land Management					
Land Management Services	$	2,938	2,646	(292)	11
Losses on Sale of Land		200	199	(1)	
Land Revenue Bad Debt Allowances		500	-	(500)	12
Pastures Revolving Fund Net Financing Requirement (Recovery)		-	(308)	(308)	13
Subtotal	$	3,638	2,537	(1,101)	
Inspection and Regulatory Management					
Program Operations	$	2,887	3,136	249	14
Livestock Services Revolving Fund Net Financing Requirement (Recovery)		481	(85)	(566)	15
Subtotal	$	3,368	3,051	(317)	

Saskatchewan Agriculture, Food and Rural Revitalization
Schedule of Revenue and Expenses

		2004-05 Estimates $000s	2004-05 Actuals $000s	Variances Over (under) $000s	Notes
Policy and Planning	$	6,028	6,988	960	16
Research and Technology					
Project Coordination	$	1,195	1,095	(100)	17
Research Programming		12,413	11,166	(1,247)	18
Subtotal	$	13,608	12,261	(1,347)	
Development and Technology Transfer	$	11,283	10,853	(430)	19
Farm Stability and Adaptation					
Agricultural Policy Framework Initiatives		2,750	197	(2,553)	20
Canadian Agricultural Income Stabilization		98,776	206,302	107,526	21
BSE Recovery Program		-	24,300	24,300	22
Subtotal	$	101,526	230,799	129,273	
Financial Programs					
Financial Programs Management	$	4,744	3,778	(966)	23
2002 Short-term Hog Loan Program-Loan Losses	$	-	1,391	1,391	24
Subtotal	$	4,744	5,169	425	
Crop Insurance					
Program Delivery	$	25,500	25,600	100	25
Crop Premiums		80,224	75,713	(4,511)	26
Interest Subsidy		5,800	5,903	103	27
Subtotal	$	111,524	107,216	(4,308)	
Budget Appropriation	$	264,809	391,609	126,800	
Special Warrants	$	141,200	-	(141,200)	28
Total Appropriation	$	406,009	391,801	(14,400)	
Capital Asset Acquisition	$	(570)	(171)	399	29
Amortization of Capital Assets	$	110	128	18	
Total Expenses	$	405,549	391,566	(13,983)	
Total Revised Estimates and Expenses	$	405,549	391,566	(13,983)	
FTE Staff Complement (FTE-Full Time Equivalent)		527.60	517.90	(9.70)	30

These financial schedules have been prepared in accordance with the government's accrual accounting policies
Note: Totals may not add due to rounding.

Explanations of variances which exceed $20,000 between estimates and actuals

Revenues

1. Demand for agricultural land was lower than estimated due to reduced farm cash flow stemming from the BSE crisis and poor harvest conditions.
2. Petroleum and Gas Lease revenue was lower due to fewer leases being issued and reduced number of easements.
3. Administration expenses for the Saskatchewan Crop Insurance Corporation (SCIC) are cost shared 60/40 by the federal and provincial governments. The department advances SCIC 100 per cent of the funding and the federal government reimburses the department for its share of the approved costs incurred. Actual administration expenses of SCIC were lower than budgeted.
4. Assignment Fee revenue on land leases was higher than budgeted due to increased business activity.
5. Crop protection diagnostic analysis revenue, meat inspection revenue and soils investigation fees were higher due to increased activity.
6. Interest revenue earned on the Short-term Hog Loan Program was lower due to the fact that an interest rate of 4.5 per cent was used to calculate the budget; however, the average interest rate was actually four per cent.
7. Revenue resulted from a reduction of $7,500,000 to the Canadian Farm Income Program (CFIP) liability and higher repayment of Agriculture Research Program contracts.

Expenses

8. The over expenditure resulted from the department funding two Ministers Offices and an additional Assistant Deputy Minister position.
9. Expenses were lower due to savings associated with the closure of Rural Service Centres.
10. Grants expenses were higher due to the restoration of Prairie Diagnostic Services funding to previous year levels; funding to Saskatchewan Agrivision Corporation; funding of the University of Saskatchewan's Prion Research and the funding of other agricultural organizations.
11. Expenses were lower due to vacancy management and systems expenses that were paid from Policy and Planning.
12. The allowance for uncollectable land revenue account receivables was reduced as a result of a significant number of settlements and successful collection efforts.
13. The Pastures Revolving Fund cash revenues exceeded cash expenditures, resulting in a net recovery. Revenues were higher due to petroleum and gas revenues on Crown land.
14. Disease Surveillance Program expenses were higher than budgeted due to increased activity.
15. The Livestock Services Revolving Fund cash revenues exceeded cash expenditures, resulting in a net recovery. Revenues exceeded budget due to the higher than expected volume of markетings and inspections.
16. Information and technology costs are higher than budgeted due to new program development, system expenses incurred in relation to note 11, and costs associated with a contracted study.
17. Expenses were lower due to vacancy management.
18. Expenses were lower due to unfilled Research Chairs under the Strategic Research Program and less utilization on the ANGen Program.
19. Net operational savings resulted from internal department reorganization and the existence of vacant positions pending staffing.

20. The budgeted amount for Agricultural Policy Framework initiatives was not utilized.

21. In December 2004, the Government of Saskatchewan agreed to ensure funding to cover full payments on Saskatchewan's share of producer payments under the 2003 CAIS Program. The variance of $107.5 million represents the estimate of the additional funding required, based on the top of the cost range for that program year, as estimated by the federal government.

22. This was a new Canada/Saskatchewan BSE initiative, which resulted in the funding of the Feeder Calf Set-aside Program, the Fed Cattle Set-aside Program and the Other Ruminant Industry Transitional Program.

23. Expenses were lower due to the internal department reorganization resulting in the Renewal Program moving to Development and Technology Transfer.

24. The loan loss provision was increased because the loans under Community Pork Ventures Group were granted protection from creditors in December 2004.

25. Actual funding provided was higher than budget in response to a rise in estimated administration costs.

26. The 2004-05 Crop Insurance crop premiums were lower than budgeted, as producers insured fewer acres than originally anticipated.

27. Interest costs were higher than budgeted, due to the higher reinsurance debt that was incurred to pay out all 2003 claims.

28. Special Warrants increase the Province's overall budget and are disclosed in the Public Accounts as an increase in the appropriations. Special Warrants may only be issued when the Legislature is not in session. In 2004-05, the department received a Special Warrant for Bovine Spongiform Encephalopathy Recovery Program of $40.0 million and for the Canadian Agricultural Income Stabilization Program of $101.2 million.

29. Capital funding initially approved in respect to Development and Technology Transfer was spent on operations, as approved by Treasury Board. Costs for renovations to the Agriculture Knowledge Centre were lower than originally budgeted.

FTE

30. The variance was a result of vacant staff positions throughout the year.

Revolving Funds, Loans and Guaranteed Debt Information

In addition to the information contained in the Financial Schedules, more detailed information on Revolving Funds and Loan Guarantees is contained in Appendices A and B.

Special Warrant Funding

In November of 2004, the Department of Agriculture, Food and Rural Revitalization received $40 million through Supplementary Estimates in respect to the provincial share of BSE programming costs. Of this total, $39.5 million was targeted toward producer payments while $0.5 million was allocated for administration costs.

In February of 2005, Special Warrant funding of $101.2 million was provided to ensure full funding of the province's share of the 2003 CAIS program payments to producers.

Where to Obtain Further Information

The purpose of this section is to provide readers with a means to obtain further information, ask questions or provide comments on the department's performance results.

Readers seeking additional information may consult the SAFRR website, located at www.agr.gov.sk.ca. This site includes detailed program information, agronomic information, reports, statistics and several interactive features. Additional information may also be obtained by writing:

Communications Branch
Room B5
3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Readers may also provide feedback on SAFRR's plan via the above site, at www.agr.gov.sk.ca/apps/contact/ask_safrr.asp or by writing to:

Deputy Minister
Saskatchewan Agriculture and Food
Room 101, 3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Appendix A – Revolving Funds

Pastures Revolving Fund

The Saskatchewan Pastures Program operates 54 provincial community pastures throughout the province encompassing 790,000 acres of department administered Crown land. This land assists farmers and cattle producers by providing supplemental grazing opportunities in order for them to expand and/or diversify their farming and ranching operations. The operation of the Saskatchewan Pastures Program is supportive of the departmental objectives of increased livestock production and diversification to higher value crops.

The Pastures Revolving Fund uses revenues generated from patron fees and user fees to operate the program. The fund has the flexibility to operate between a $700,000 deficit and $700,000 surplus on an accumulating basis. Surpluses in excess of the maximum may be paid to the General Revenue Fund; deficits in excess of the maximum are covered by a subsidy from the General Revenue Fund. Since the inception of the fund, there were two years -1995-96 and 1996-97- where money was transferred to general revenue ($152,287 and $66,040 respectively). In 2000-2001 and 2001-02, the General Revenue Fund supplemented the revolving fund in the amounts of $96,984 and $29,351 respectively.

Financial statements are audited by the Provincial Auditor each year. Copies of those audited statements are available from SAFRR Corporate Services.

Summary of Revenue and Expenses for 2004-05 Fiscal Year (unaudited)

In Thousands of Dollars	Budget	Actual	Variance Over (Under)
Revenue	6,200	6,955	7551
Expenses			
Operations	6,200	5,860	3402
Net Profit (Loss)	0	1,095	1,095
Subsidy from the General Revenue Fund	0	0	0
Net Profit (Loss) After Subsidy	0	1,095	1,095

Explanations of Variance:

1 Increased revenues from grazing and timber sales.

2 Decreased expenses due to wintering station closures and reduced land rejuvenation activity.

Livestock Services Revolving Fund

The Livestock Services Revolving Fund provides brand inspection services, registers livestock brands, licences livestock dealers and provides administrative services for the Cattle Marketing Deductions Fund and the Horned Cattle Fund.

Under authority of *The Department of Agriculture, Food and Rural Revitalization Act* and the Minister of Agriculture and Food, the Livestock Services Revolving Fund provides services on a cost recovery basis to determine ownership of livestock and ensure financial security for livestock owners. The Livestock Services Revolving Fund contributes to the department's objective of increased livestock production and diversification to higher value crops.

Financial statements are audited by the Provincial Auditor each year and copies of those audited statements are available from SAFRR Corporate Services.

Summary of Revenue and Expenses for 2004-05 Fiscal Year (unaudited)

In Thousands of Dollars	Budget 2004-05	Actual 2004-05	Variance Over (Under)
Revenue	2,409	3,138	7291
Expenses	2,890	3,052	1622
Net Profit (Loss)	(481)	86	567
Subsidy from the General Revenue Fund	0	0	0
Net Profit (Loss) After Subsidy	(481)	86	567

Explanations of Variance:

1 During the year, the number of cattle marketed and inspected increased despite the continuing border closure due to BSE. This resulted in increased revenue.

2 Expenses increased due to a significant increase in the number of inspections conducted. However, since the cost of inspections in not directly proportional to the number of inspections, expenses did not increase as much as revenue.

Appendix B – Loans and Guaranteed Debt

Livestock Loan Guarantee (LLG) Program

The LLG Program facilitates growth of Saskatchewan's livestock industry by providing producer associations access to credit at favourable interest rates and with limited collateral requirements for purchase of cattle, sheep or bison. The program may also be used as a management tool to generate cash flow through retained ownership options. The LLG Program supports increased livestock production by providing guarantees to lenders who make loans to production associations and individual feedlot operators.

During 2004-05, budgeted and actual guarantees under this program were:

Breeder Associations (In thousands of dollars)	**Budget**	**Actual**	**Variance Over (Under)**
Beginning Balance	18,000	17,901	(99)
Additions	2,000		(2,000)
Reductions		(2)	(2)
Ending Balance	20,000	17,899	(2,101)

Explanation of Variance:

Program participation was lower than forecast because of the continued impact of BSE and the border closure.

Feeder Associations (In thousands of dollars)	**Budget**	**Actual**	**Variance Over (Under)**
Beginning Balance	17,000	12,703	(4,297)
Additions			
Reductions	(4,000)	(3,471)	529
Ending Balance	13,000	9,232	(3,768)

Explanation of Variance:

Program participation was lower than forecast because of the continued impact of BSE and the border closure.

Feedlot Loan Guarantees (In thousands of dollars)	**Budget**	**Actual**	**Variance Over (Under)**
Beginning Balance	8,000		(8,000)
Additions			0
Reductions	(3,000)		3,000
Ending Balance	5,000	Nil	(5,000)

Explanation of Variance:

Program participation was lower than forecast because of the continued impact of BSE and the border closure.

Feedlot Construction Loan Guarantees (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance			
Additions	2,000		(2,000)
Reductions			
Ending Balance	2,000	Nil	(2,000)

Explanation of Variance:

Program participation lower as a result of BSE and border closure.

Feedlot Equity Loan Guarantees (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance			
Additions	1,000		(1,000)
Reductions			
Ending Balance	1,000	Nil	(1,000)

Explanation of Variance:

Program has not been implemented.

Enhanced Feeder Loan Guarantees (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance			
Additions	1,500		(1,500)
Reductions			
Ending Balance	1,500	Nil	(1,500)

Explanation of Variance:

Program participation lower as a result of BSE and border closure.

Short-term Hog Loan Program(s)

The Short-term Hog Loan Program(s) supports increased livestock production by providing loans to producers. The initial Short-term Hog Loan Program, announced in December 1998, assisted hog producers in offsetting operating losses due to a severe reduction in hog prices at that time. A second hog loan program was announced in November 2002, in response to the high feed prices and depressed market prices that hog producers were experiencing.

During 2004-05, budgeted and actual loans under this program were:

1998 STHP Outstanding Loans (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	107	107	
Additions			
Reductions	(86)	(53)	33
Ending Balance	21	54	33

Explanation of Variance:

Hog prices lower than anticipated.

2002 STHP Outstanding Loans (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	14,491	14,519	28
Additions			
Reductions	(4,850)	(2,196)	2,654
Ending Balance	9,641	12,323	2,682

Explanation of Variance:

Depressed hog market prices during late 2003 and early 2004 resulted in clients having the option of deferring their principal payment for an additional year. Consequently, principal payments were deferred on a majority of loans.

Agricultural Credit Corporation of Saskatchewan

The Agricultural Credit Corporation of Saskatchewan (ACS) short-term financing is being repaid by ACS as the corporation collects on the outstanding loan portfolio. Since the wind-down was announced in March 1996, the Corporation continues to focus on reducing the outstanding loan portfolio and resolving outstanding accounts.

Agri-Food Equity Fund (AFEF) debt represents financing used by the fund for agri-value added investments and will be repaid as AFEF investments are repaid.

During the 2004-05 budgeted and actuals:

ACS Line of Credit (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	9,100	9,100	0
Additions			0
Reductions	(9,100)	(9,100)	0
Ending Balance	0	0	0

Explanation of Variance:

N/A

Agri-Food Equity Fund (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	10,250	10,250	0
Additions			0
Reductions		(2,500)	(2,500)
Ending Balance	10,250	7,750	(2,500)

Explanation of Variance:

ACS remitted payment as a result of AFEF investment reductions.

Appendix C – Saskatchewan Legislation Administered by Saskatchewan Agriculture, Food and Rural Revitalization 2004-05

The Agricultural Credit Corporation of Saskatchewan Act

The Agricultural Equipment Dealerships Act

The Agricultural Implements Act

The Agricultural Operations Act

The Agricultural Safety Net Act

The Agricultural Societies Act

The Agri-Food Act, 2004

The Agri-Food Innovation Act

The Agrologists Act, 1994

The Animal Identification Act

The Animal Products Act

The Animal Protection Act, 1999

The Apiaries Act

The Cattle Marketing Deductions Act, 1998

The Crop Insurance Act

The Crop Payments Act

The Department of Agriculture, Food and Rural Revitalization Act

The Diseases of Animals Act

The Expropriation (Rehabilitation Projects) Act

The Farm Financial Stability Act

The Farmers' Counselling and Assistance Act

The Farming Communities Land Act

The Grain Charges Limitation Act

The Horned Cattle Purchases Act

The Irrigation Act, 1996

The Land Bank Repeal and Temporary Provisions Act

The Leafcutting Beekeepers Registration Act

The Line Fence Act

The Milk Control Act, 1992

The Noxious Weeds Act, 1984

The On-farm Quality Assurance Programs Act

The Pastures Act

The Pest Control Act

The Pest Control Products (Saskatchewan) Act

The Prairie Agricultural Machinery Institute Act, 1999

*The Provincial Lands Act**

*The Sale or Lease of Certain Lands Act**

*The Saskatchewan Farm Security Act**

The Saskatchewan 4-H Foundation Act

The Soil Drifting Control Act

The Stray Animals Act

The Vegetable, Fruit and Honey Sales Act

The Veterinarian Act, 1987

The Veterinary Services Act

The Wascana Centre Act

* Joint responsibility

Appendix D – Special Purpose Funds and Agencies with Legislative Responsibilities to Saskatchewan Agriculture, Food and Rural Revitalization as of March 31, 2005

	Year End
Special Purpose Funds (Financial Statements are tabled separately)	
Cattle Marketing Deductions Fund	March 31
Horned Cattle Fund	March 31
Livestock Services Revolving Fund	March 31
Pastures Revolving Fund	March 31
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31
Agencies (Annual Reports are published separately)	
Agricultural Credit Corporation of Saskatchewan	March 31
Agricultural Implements Board	March 31
Agri-Food Council	March 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Irrigation Crop Diversification Corporation (ICDC)	March 31
Milk Control Board	December 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Stabilization Fund	March 31
Saskatchewan Crop Insurance Corporation	March 31
Crop Reinsurance Fund of Saskatchewan	March 31

Agencies Under the Agri-Food Council

Chicken Farmers of Saskatchewan
Saskatchewan Alfalfa Seed Producers Development Commission
Saskatchewan Broiler Hatching Egg Producers' Marketing Board
Saskatchewan Canola Development Commission
Saskatchewan Commercial Egg Producers' Marketing Board
Saskatchewan Flax Development Commission
Saskatchewan Mustard Seed Development Commission
Saskatchewan Sheep Development Board
Saskatchewan Turkey Producers' Marketing Board
SaskPork

Appendix E – Assistance to General Agricultural Interests

SAFRR provides for financial assistance and support to various organizations that facilitate the development, expansion and diversification of the agricultural industry. The following list identifies organizations that received assistance of $5,000 or more in 2004-05.

- Agriculture Development and Diversification (ADD) Boards: $346,707 in grants was provided to control pests, weeds and to help fund costs of Pest Control Officers.
- Agriculture in the Classroom: $80,000 annual administration grant which supports additional focus of Careers in Agriculture.
- Ag-West Bio Inc: $6,000 grant to sponsor the international BioScience Week in Saskatoon.
- Canadian Beef Export Federation: $10,000 grant to assist promotional programs that serve to enhance the export of Canadian beef.
- Canada Pork International: $31,000 grant to sponsor the World Meat Congress and 2004-05 annual membership fees.
- Canadian Special Crops Association: $7,500 grant to sponsor the annual national conference.
- Canadian Western Agribition: $45,000 grant to sponsor the International Marketing Initiative, as well as sponsorship of the Taste of Saskatchewan Program and Host of the Day at the International Business Centre.
- Compensation for Leases: $22,898 in grants for the compensation of Crown land for easements.
- District #32 ADD Board: $125,000 grant to assist in the co-ordinated control of black flies in the Prince Albert region.
- Farm Animal Council of Saskatchewan (FACS): $15,000 grant to sponsor research and development of leading edge information on animal care practices.
- Grants in Lieu of Taxes: $18,613 in compensation grants.
- Institute of Agricultural, Rural and Environmental Health: $100,000 grant to assist in the expansion of extension programming.
- National Holstein Convention 2005: $5,000 grant to sponsor annual convention.
- Oil & Gas Compensation: $58,000 in total compensation funds for oil and gas wells drilled. A compensation of $200 is paid to leaseholders of Crown land.
- Organic Agricultural Centre of Canada: $250,000 grant in support of the Prairie Coordinators Position and research activities conducted in Saskatchewan.
- Organic Connections Inc: $5,000 grant to sponsor the Organic Conference and Trade Show.
- POS Pilot Plant Corporation: $75,000 administration grant and provincial membership fees.
- Prairie Feed Resource Centre Inc: $257,000 grant to support the development of feed processing research.
- Prairie Diagnostic Services: $1,900,000 annual administration grant and a $317,000 grant to support the purchase of diagnostic equipment.
- Provincial Council of ADD Boards: $158,500 in grants to provide funding for PCAB and ADD Regional Council members and to assist in the co-ordination of regional pest control programs.
- Provincial 4-H program: $300,000 administration grant. SAFRR also provides significant in-kind support, such as office space and equipment.
- Saskatchewan Agriculture Hall of Fame: $5,000 administration grant.
- Saskatchewan Agrivision Corporation Inc: $227,500 in grants to sponsor SAC Inc. conference and to support on-going activities regarding rural development in Saskatchewan.
- Saskatchewan Association of Rural Municipalities: $7,000 grant to assist with the printing costs associated with the publication titled "Producer Car Loading Manual".
- Saskatchewan Beekeepers Association: $15,000 in grants to assist with the "Evaluate Bee Stock for Resistance to Mites" Project and sponsorship of the Canadian Bee Council meeting.

- Saskatchewan Bison Association: $75,000 grant to support the growth and development of the provincial bison industry.
- Saskatchewan Council for Community Development: $105,000 grant to assist with administration costs and delivering Value Chain Workshops.
- Saskatchewan Elk Breeders Association: $20,000 grant to assist with the costs of administering the elk ear tag program.
- Saskatchewan Food Industry Development Centre: $216,000 grant to purchase beef testing equipment at the Centre.
- Saskatchewan Food Processors Association: $50,000 annual operating grant to assist the association in encouraging the growth of the Saskatchewan food and beverage industry through the promotion of 'SASKATCHEWAN MADE' products in and outside the province.
- Saskatchewan Irrigation Projects Association: $7,000 grant to sponsor the Irrigation Conference.
- Saskatchewan Meat Processor's Association: $81,500 grant to sponsor Meat Processing Competition during Agribition and the Meat Slaughter Training Program.
- Saskatchewan Sheep Development Board: $200,000 provided to assist the Sheep Development Board with the livestock predation intervention project and to support the Board's strategy to grow, develop and add value to the sheep industry in Saskatchewan.
- Saskatchewan Stock Growers Association: $10,000 grant to support Prairie Conservation Action Plan (PCAP).
- Saskatchewan Veterinary Medical Association: $50,000 grant to sponsor the Veterinary Student Mentorship Program.
- SeCan Association: $100,000 grant to support regional variety testing of grain crops.
- The Royal Red Arabian Horse Show: $10,000 grant to assist in hosting the Canadian National Arabian and Half-Arabian Championship Horse Show in Regina.
- University of Saskatchewan: $1,010,000 in grants to support Transmissible Spongiform Encephalopathy research and to fund the Prairie Agricultural Organic Co-coordinator position.

Appendix F – Appeals, Complaints, Hearings and Freedom of Information Requests

Under the Social Union Framework Agreement (SUFA), the province is committed to report on the number of appeals on access to services, and the number of complaints on program administration received each year. The following describes the appeals, complaints, hearings and Freedom of Information Requests that were received by the department during 2004-05:

The Lands Appeal Board held 12 appeal hearings of Crown land lease allocations. The board upheld eight allocations. Four were returned to the department for re-scoring.

The Agricultural Operation's Review Board did not receive any applications for determination about farm nuisance in 2004-05, which compares to five applications received the previous year.

The Livestock Services Revolving Fund issued 199 Livestock Dealer licenses and verified their bonds and issued 229 Dealer Agent licenses. The fund is accessing two dealer bond claims. The fund also received one withheld livestock settlement totaling $4,551.81 and determined the disposition of the funds.

The Pesticide Investigator handled 33 complaints related to the improper use of pesticides, compared to 60 the previous year. The extreme growing conditions in 2004 reduced the number of pesticide complaints. The pesticide unit completed inspection of 30 vendors during the year.

The Agri-Food Appeal Committee mediates disputes or, if necessary, confirms, varies, disallows or stays decisions of agencies that fall under *The Agri-Food Act, 2004*. During 2004-05 the Committee held four appeal meetings and rendered decisions addressing appeals filed regarding actions of agencies established under *The Agri-Food Act, 2004*.

The Agricultural Implements Board holds hearings on producer claims for compensation in respect to alleged losses experienced because there was an unreasonable delay in the availability of farm equipment parts. The Board received no claims in 2004-05.

Responses were prepared to 21 Freedom of Information (FOI) applications made to SAFRR.

Appendix G – Regulatory Amendments

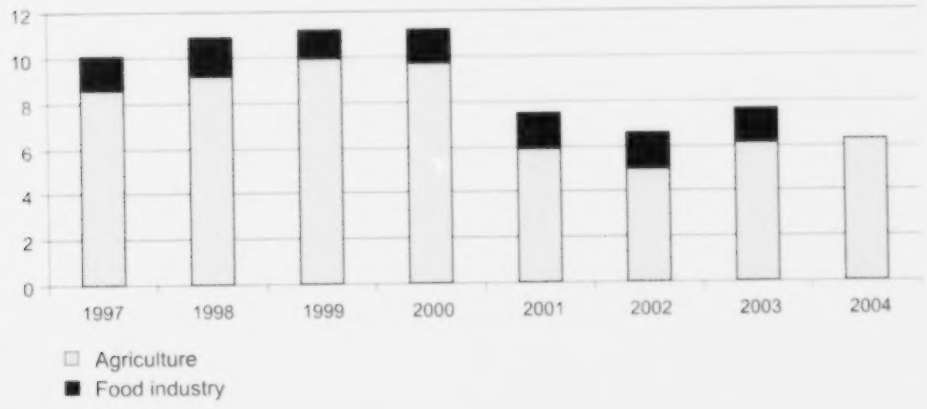
The 2004-05 regulatory agenda included:

- *The Cattle Feeder Associations Loan Guarantee Amendment Regulations, 2004* amended *The Cattle Feeder Associations Loan Guarantee Regulations, 1989* to extend time limits for repayment of feeder loans and for sale of feeder heifers and steers.
- *The Short-term Hog Loan Amendment Regulations, 2004* amended *The Short-term Hog Loan Regulations, 2002* to allow producers the option to defer the commencement of the principal repayment from May 2004 to July 2005 and the maturity date from April 2007 to June 2008.
- *The Domestic Game Farm Animal Amendment Regulations, 2004* amended *The Domestic Game Farm Animal Regulations* to allow for a more efficient administration of Chronic Wasting Disease Surveillance and Certification program.
- *The Feedlot Construction Loan Guarantee Program Regulations* provides guarantees to lenders on loans made to producers for the construction of new feedlots or expansion to existing feedlots.
- *The Canada Saskatchewan BSE Recovery Program (No. 2) Amendment Regulations, 2004 (No. 3)* amended *The Canada Saskatchewan BSE Recovery Program Regulations, 2003 (No. 2)* to change the date under the Incentive Program slaughter requirement to reflect the correct date as intended by the program.
- *The Agri-Food Regulations, 2004* provide the framework for establishment of production or marketing limits, development commission, a development board or a marketing board and an appeal process and repeal *The Agri-Food Regulations*.
- *The Cattle Marketing Deductions Regulations, 2004* provide the framework for how check-off is collected and remitted, allocate funds between the provincial and national accounts, detail the personal information to be disclosed on interprovincial sales and national check-off and set the fee for administrating the fund's operations.
- *The BSE Livestock Loan Guarantee Program Amendment Regulations, 2004* amended *The BSE Livestock Loan Guarantee Program Regulations* to allow producers the option to defer their principal payments.
- *The Cattle Breeder Associations Loan Guarantee Amendment Regulations, 2004* amended *The Cattle Breeder Associations Loan Guarantee Regulations, 1991* to increase member limits and total amount a member can borrow within an association, exempt certain transactions from brand inspection and adjust when a member can receive an assurance fund refund.
- *The Cattle Feeder Associations Loan Guarantee Amendment Regulations, 2004* amended *The Cattle Feeder Associations Loan Guarantee Regulations, 1989* to increase member limits and total amount a member can borrow within an association and exempt certain transactions from brand inspection.
- *The Livestock Drought Loan Program Amendment Regulations, 2004* amended *The Livestock Drought Loan Program Regulations* to allow producers the option to defer their principal payments.
- *The Pests Declaration Amendment Regulations, 2004* consequentially amended *The Pests Declaration Regulations* to provide for the coming into force of Saskatchewan Environment's *The Dutch Elm Disease Regulations, 2004*.
- *The Saskatchewan Farm Security Amendment Regulations, 2004* amended *The Saskatchewan Farm Security Regulations* to reflect house keeping changes made to the Act.
- *The Pastures Amendment Regulations, 2004* amended *The Pastures Regulations* to provide greater flexibility for payment options.

- *The Big Game Damage Compensation Program Amendment Regulations, 2004* amended *The Big Game Damage Compensation Program Regulations* to reduce the level of compensation payable for crop damage caused by big game animals from 85 per cent to 80 per cent the existing deductible of $200 per crop or storage yard site under the program would be replaced with a minimum claim of $100 per crop or storage yard site and to add bison as an eligible species for compensation for damage caused b big game animals.
- *The Waterfowl Damage Compensation Program Amendment Regulations, 2004* amended *The Waterfowl Damage Compensation Program Regulations* to reduce the level of compensation payable for crop damage caused by waterfowl from 85 per cent to 80 per cent and the existing deductible of $200 per crop under the program would be replaced with a minimum claim of $100 per crop.
- *The Dairy Producers Amendment Regulations, 2004* amended *The Dairy Producers Regulations, 1995* to increase the existing price differential levels for quality penalties and update terminology to conform to national standards.
- *The Canada Saskatchewan BSE Recovery Program (No. 2) Amendment Regulations, 2004 (No. 4)* amended *The Canada Saskatchewan BSE Recovery Program Regulations, 2003 (No. 2)* to allow the department to administer the Fed Cattle Set-aside Program and Feeder Calf Set-aside Program.
- *The Commercial Egg Marketing Plan Regulations* establishes the mechanism for industry growth and development while improving transparency, equity and efficiency for issuance and transfer of table egg quota in Saskatchewan.
- *The Pests Declaration Amendment Regulations, 2005* consequentially amended *The Pests Declaration Regulations* to provide for the coming into force of Saskatchewan Environment's *The Dutch Elm Disease Regulations, 2005*.
- *The Dutch Elm Disease Control Repeal Regulations* consequentially repealed *The Dutch Elm Disease Control Regulations* to provide for the coming into force of Saskatchewan Environment's *The Dutch Elm Disease Regulations, 2005*.
- *The Ruminant (Non-bovine) Industry Transitional Program Regulations* provides the framework to administer the Other Ruminants Industry Transitional Program.
- *The Canada Saskatchewan BSE Recovery Program (No. 2) Amendment Regulations, 2005* amended *The Canada Saskatchewan BSE Recovery Program Regulations, 2003 (No. 2)* to allow the department to administer the Fed Cattle Set-aside Program.
- *The Crop Insurance Amendment Regulations, 2005* amended *The Crop Insurance Regulations* to finalize the program details for the 2005 crop insurance program.

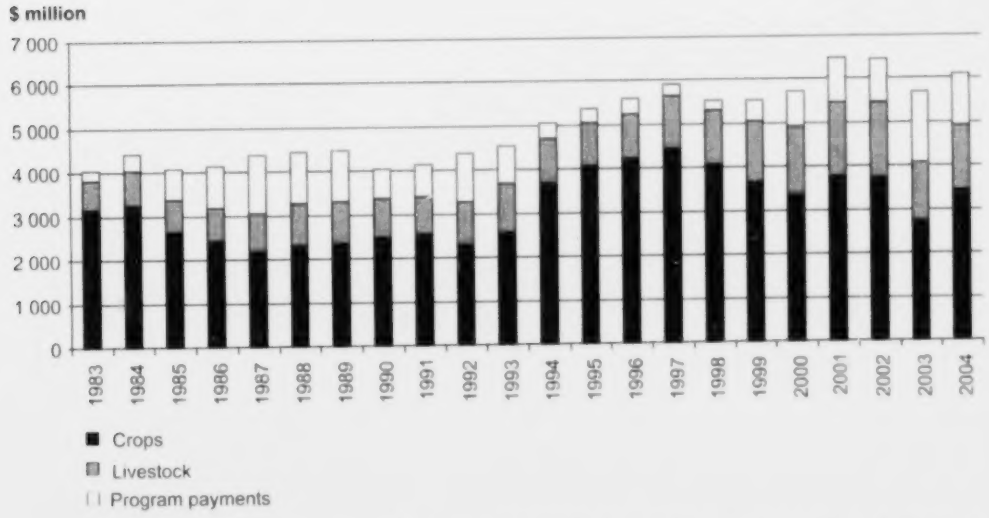
Appendix H – Saskatchewan Agri-Food Indicators

Saskatchewan Agri-Food GDP as a percentage of Total GDP



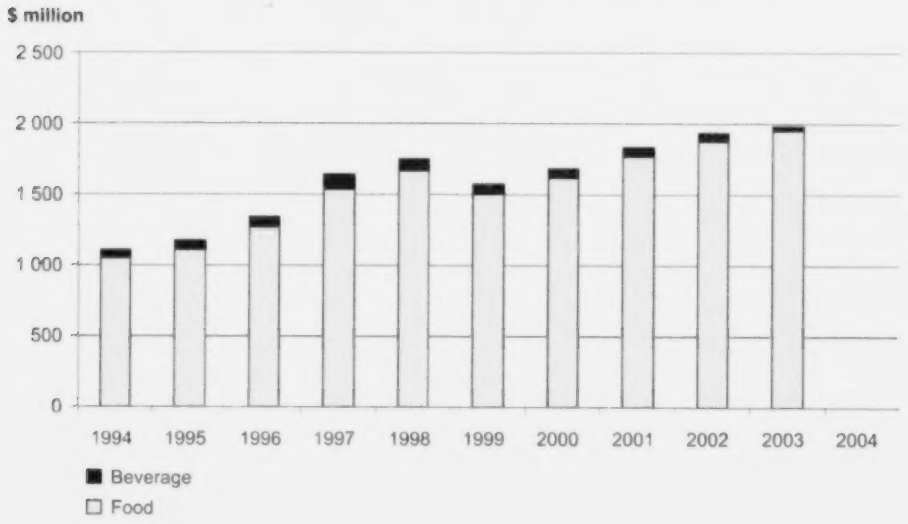
The importance of the agriculture and food industry is demonstrated by its contribution to the gross domestic product (GDP) of the province. Over the past five years it has averaged approximately eight per cent, with variations due to significant changes in production or prices. While agriculture and food GDP has declined relative to the total Saskatchewan GDP since the early 1990s, the decline illustrates the growth and diversity of the Saskatchewan economy rather than a decline in agriculture. (Note - in 2004, Statistics Canada discontinued reporting GDP for most components of the food industry).

Saskatchewan Sources of Farm Cash Receipts



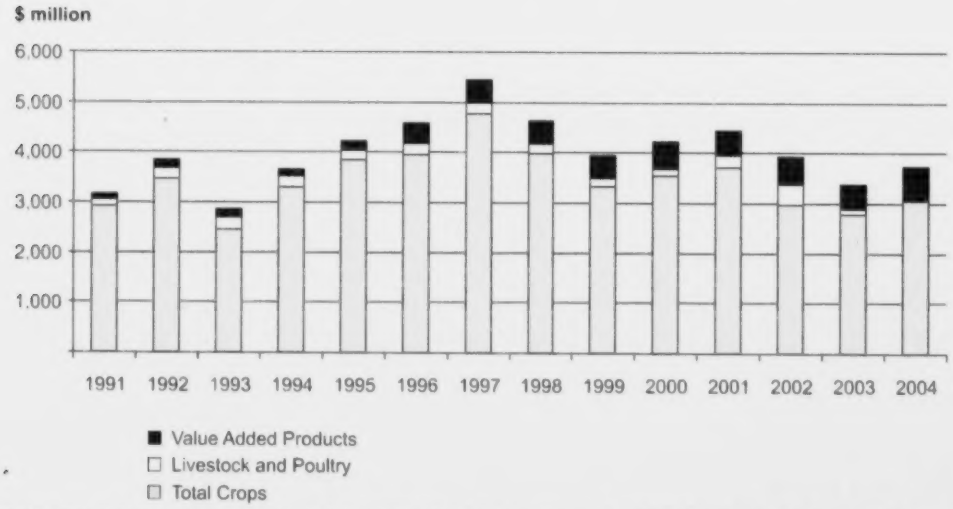
The major contributor to the province's agriculture and food GDP is primary production. Farm cash receipts, which are depicted above, are variable from year to year. This variability reflects the cyclical nature of crop receipts, relatively steady livestock receipts in most years and program payments, which, in percentage terms, may show the greatest change.

Saskatchewan Food and Beverage Industries Value of Shipments

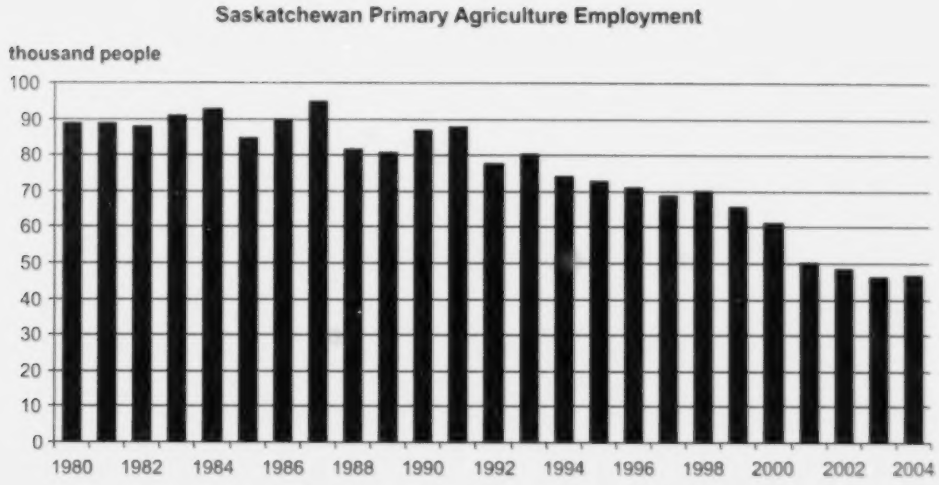


The second major component of the agriculture and agri-food GDP is value-added processing. While growth since 1994 is indicated above by statistics for the food and beverage industry, there are many other components of further processing that are demonstrating similar growth trends. (Note – 2004 figures were not available at time of publication).

Value of Saskatchewan Shipments to Other Countries



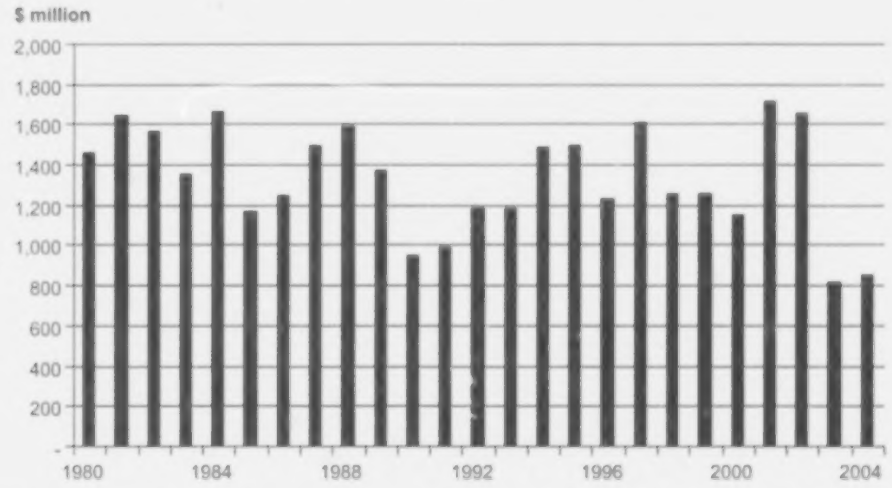
With a small population and a highly efficient production system, Saskatchewan will always be a major exporter of agriculture and food products. This export activity is a multi-billion dollar activity. An on-going challenge for Saskatchewan has been to increase the percentage and absolute value of exports that are further processed or are of a value-added form.



Agriculture and food employment has been declining over time. However, the continued employment of nearly 50,000 people in a province with a population of one million people is another indicator of the importance of the sector to the economy. These figures represent direct employment, and do not reflect the myriad of service industries that depend on agriculture for their existence. Increased farm size and mechanization will see agricultural employment continue its declining trend.

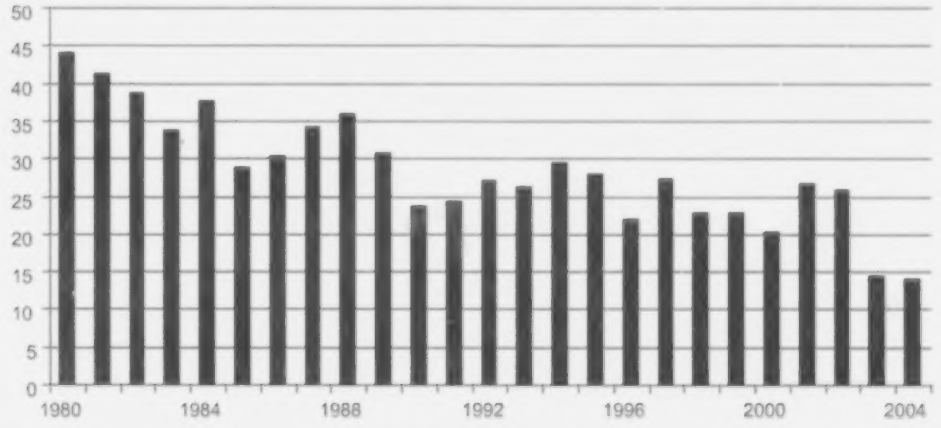
It should be noted that the Labour Force Survey by Statistics Canada bases its information on self declaration of the respondent's primary occupation according to hours worked. The data has tended to be highly variable over time, depending on whether the respondent sees an off-farm job or the farm as the most important source of income. As a result, the occasional very large drops in agricultural employment that are reported by Statistics Canada are not necessarily a large drop in the number of farmers, but could be farmers recorded according to their other sources of income.

Saskatchewan Net Farm Cash Income

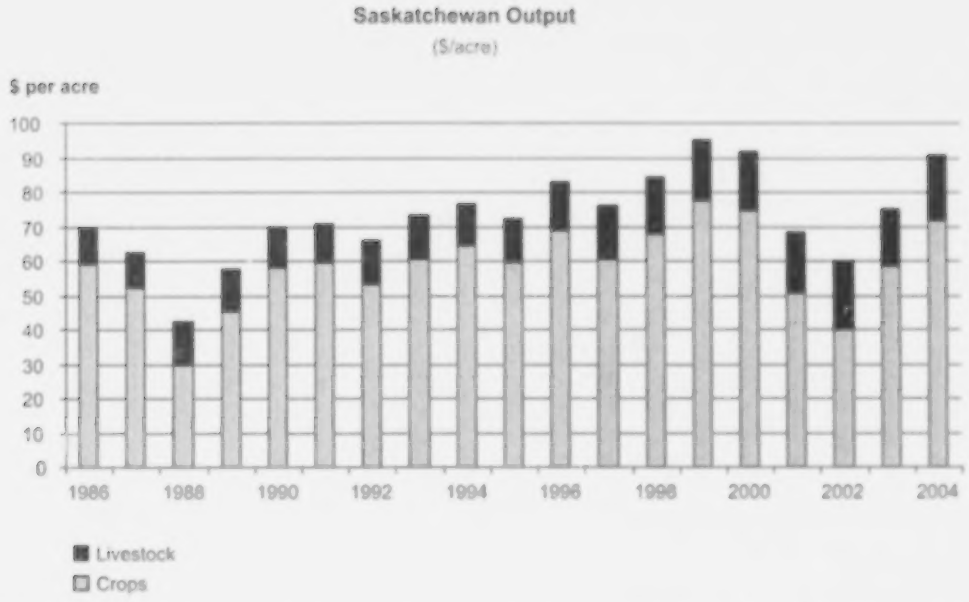


Net farm cash income is the amount available to a farmer after operating expenses are deducted, but before an allowance for depreciation is taken into account. This measure is generally considered to be the best gauge of a farmer's ability to respond to short-term income variability, because depreciation or re-investment in equipment and buildings can be deferred in the short-term.

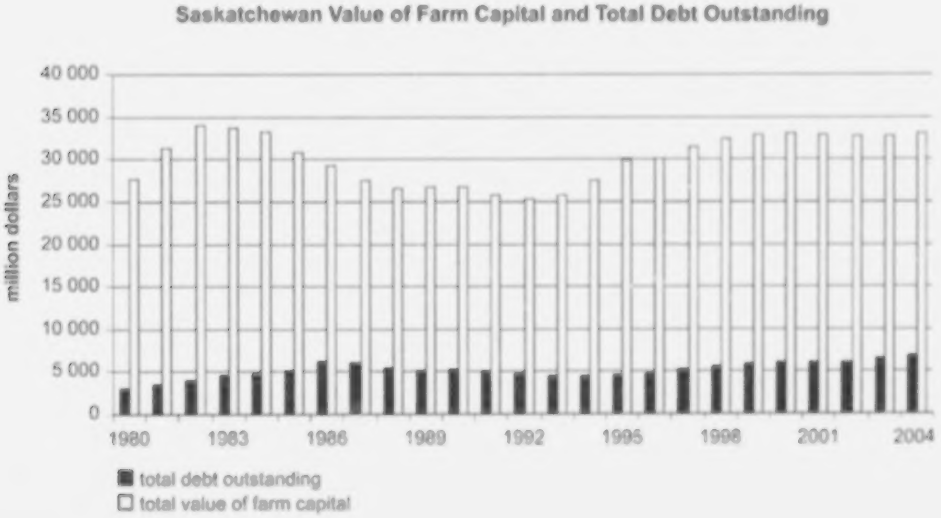
Saskatchewan Net Farm Cash Income as a Percentage of Total Farm Cash Receipts



Net farm cash income as a percentage of total farm cash receipts is another key measure. It indicates the short-term margins a farmer is achieving from his operation. The decline from 40 per cent to 25 per cent (and more recently 15 per cent) over the past 20 years is indicative of an industry that is seeing reduced margins over time. One result of smaller margins is pressure on operators to increase farm size.

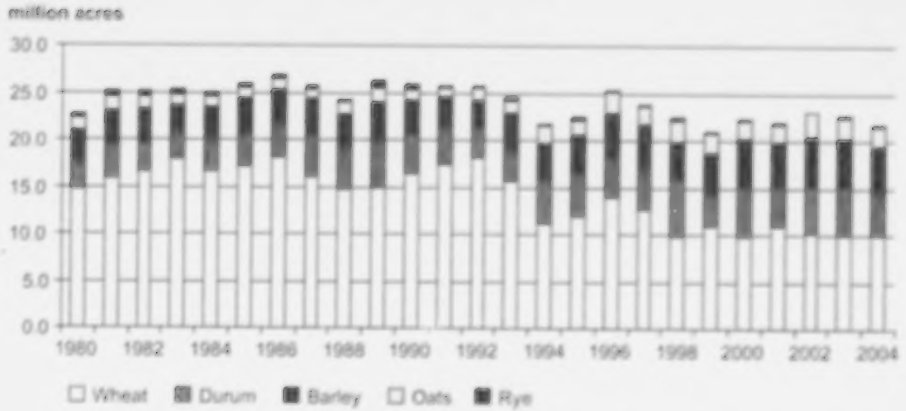


The productivity of Saskatchewan farmers continues to increase over time, although severe weather conditions have resulted in the occasional set back. The Saskatchewan Output Indicator depicted above is the combination of all crop and livestock receipts in constant dollars, divided by the acres of farm land. This measure of productivity looks at a per acre output of Saskatchewan agriculture holding the effects of price change constant.



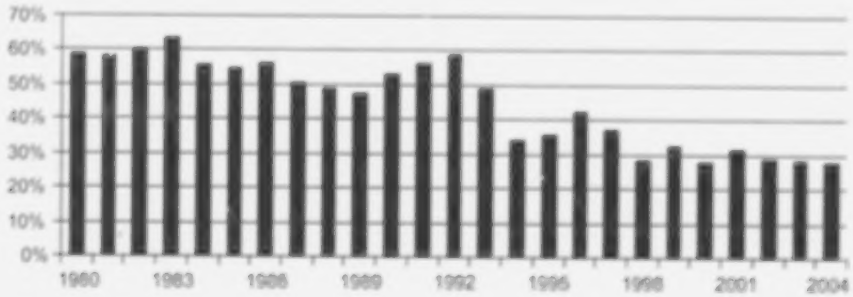
From an industry-wide perspective, Saskatchewan farmers have a high level of equity in their farm operations. This results in a low debt-to-capital ratio. It indicates that farmers in Saskatchewan tend to be cautious about borrowing. A common response to more difficult financial periods is to reduce the level of debt in their operations.

Saskatchewan Cereal Crop Acres



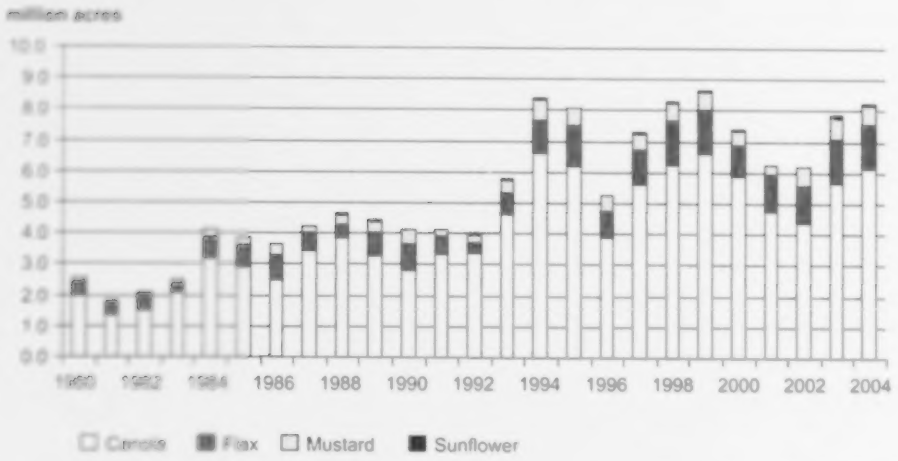
Cereal crops continue to account for the majority of crop acreage in Saskatchewan. This reflects the importance of such crops in multi-year crop rotations. These crops are also attractive because they have lower production risk and require less intensive farming practices.

Saskatchewan Spring Wheat Acres in Relation to Total Seeded Acres



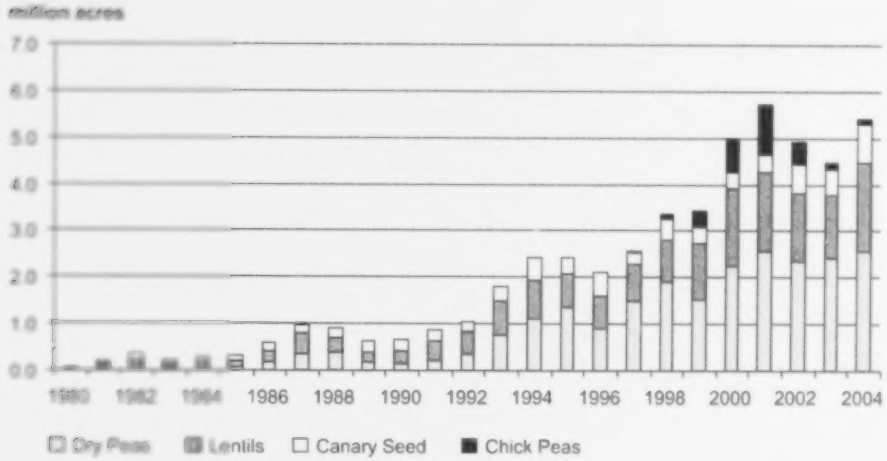
Saskatchewan has often been portrayed as a single-crop region dependent on hard red spring wheat. That reality has changed. Whereas that crop accounted for between 50 to 60 per cent of seeded acres in the 1980s and early 1990s, a dramatic diversification to other crops has occurred since then. Currently, Saskatchewan farmers plant over 50 different crops, and are always receptive to new and more profitable alternatives.

Saskatchewan Oilseed Crop Acres



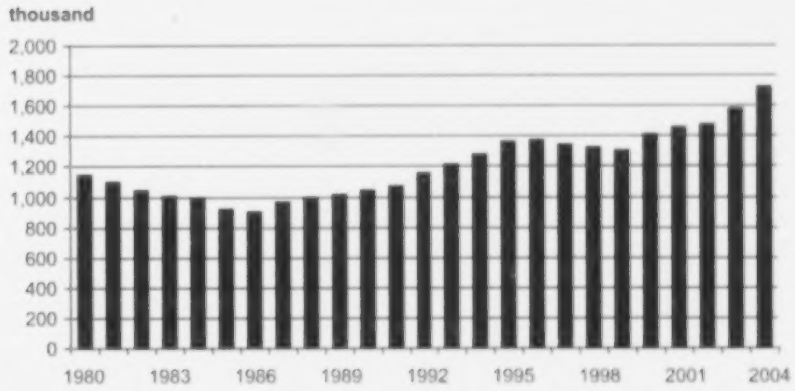
Oilseed crops are an essential part of cropping options for Saskatchewan farmers. On the basis of revenue generated, canola is the second most important crop in the province after spring wheat. The move to longer crop rotations and to continuous cropping that is being practiced in Saskatchewan has been driven partially by the expansion in oilseed acreage.

Saskatchewan Specialized Crop Acres



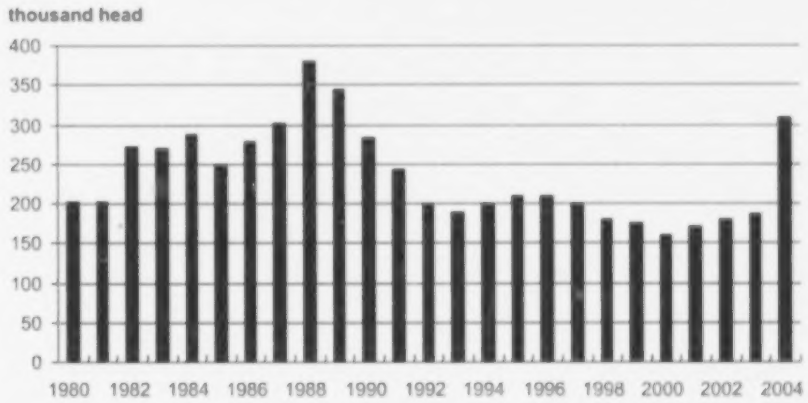
Specialized crops, particularly dry peas, have become an important cropping option for farmers since 1992. While such crops require more intensive farming management than cereal grains, they have become an important component of the crop rotation and are alternated with oilseed production. Many specialized crops provide the benefit of nitrogen fixation, which may help reduce farm input costs.

Beef Cows/Beef Replacement Heifers on Saskatchewan Farms



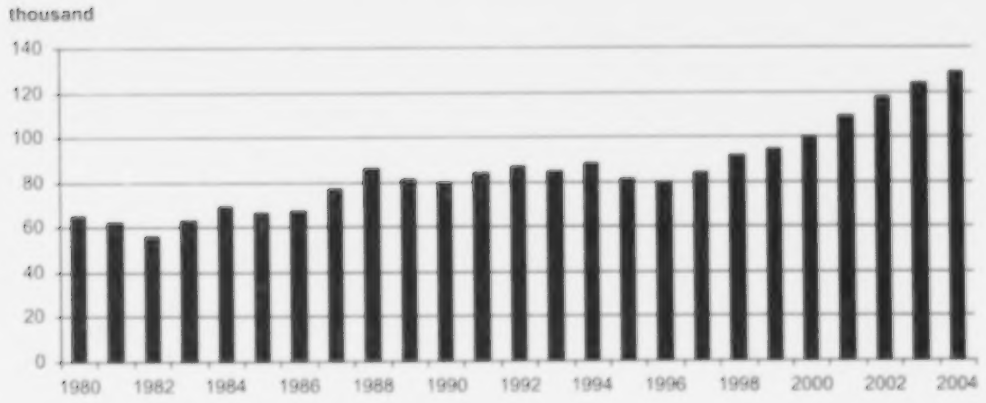
Livestock production is a key aspect of Saskatchewan agriculture. It is viewed as an area for potential growth. Also, it can act as a stabilizing influence on farm income and cash receipts as compared to the variability seen in the crops sector. In the above graph, the beef cows/replacement heifer index measures the "factory" of the cattle industry and the capability of the industry to produce calves for feeding and for replacement breeding stock.

Saskatchewan Slaughter Steer and Heifer Marketings



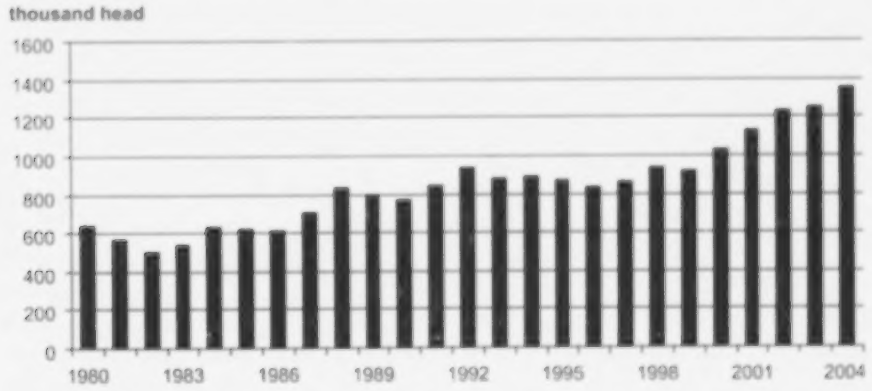
Slaughter steer and heifer marketings measure the amount of value added to the beef calf that is being done within the province. The statistics indicate that the Saskatchewan cattle industry consists primarily of cow-calf operations rather than feedlot enterprises. The calves or feeders produced here tend to be shipped out of the province for final finishing and slaughter, although increased provincial feeding did occur in 2004.

Sows and Gilts on Saskatchewan Farms



The sow and gilt inventory reflects the "factory" of the hog industry. The numbers depicted above indicate that a relatively steady increase in the province's production capacity has occurred.

Pigs on Saskatchewan Farms



Saskatchewan offers tremendous opportunity in the area of hog production. Steady growth in hog numbers has been achieved in recent years and significant growth is anticipated for the future.

Government of
Saskatchewan

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